DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, FEBRUARY 20, 1986.

SECRETARIAL OVERVIEW

WITNESSES

HONORABLE ELIZABETH HANFORD DOLE, SECRETARY OF TRANSPORTATION

RAYMOND A. KARAM, DEPUTY ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

CHAIRMAN'S OPENING REMARKS

Mr. LEHMAN. The Subcommittee on Transportation Appropriations will come to order.

In accordance with the rules of the House of Representatives and the Committee on Appropriations, without objection we will permit television and broadcasting coverage of today's hearing.

This morning we are delighted to welcome the Secretary of Transportation, Mrs. Elizabeth Hanford Dole, who has now just completed her third year as Secretary of Transportation, the second longest surviving Secretary of Transportation in history, to begin our hearings on the fiscal year 1987 budget for the Department of Transportation.

I do not intend to take your time or the time of the committee by reading a lengthy prepared statement. I recognize that you were confronted with many difficult choices in developing this budget, and I respect the decisions you have made.

That is not to imply that I agree with these decisions, or with the transportation budget that you are presenting.

I know, however, that we share a common goal of producing a budget that will achieve an equitable distribution of our federal transportation funds and will provide for the safest and most efficient transportation system that our limited resources will permit.

We have always had an excellent working relationship and I am sure that relationship will continue as we face the difficult challenges of this coming year.

Again, we welcome you, and we would be pleased to hear your opening statement at this time.

GENERAL STATEMENT

Secretary DOLE. Thank you very much, Mr. Chairman, and I am delighted to have this opportunity to meet with you, and other

Members of the Subcommittee, to discuss the Department's fiscal year 1987 budget request.

The important theme of our budget is the need to reduce the Federal deficit, while at the same time ensuring a safe and efficient national transportation system.

Through our transportation programs, we are already making a difference, a positive difference for millions of Americans.

And to highlight just a couple of those, the alcohol and drug rule for the railroads ended 12 years of debate and it will prohibit on-the-job drug and alcohol abuse, a very, very important initiative in the railroad area.

Rule 208 has spawned safety belt use laws in 17 States and the District of Columbia. So, for the first time in the 15-year history of Rule 208, lives are being saved.

And I am institutionalizing our extensive air safety monitoring program that was initiated in 1984. This budget defines the proper Federal role in transportation, focusing attention and resources on a national transportation system that is safe and efficient, well maintained, and effectively designed to meet the needs of the American people.

State and local authorities must assume more responsibility for matters that are truly local in nature. This budget anticipates returning to the private sector those transportation functions that are best managed in the free market. In short, Federal funds should be devoted to those needs that are truly national in scope, such as defense and facilitation of interstate commerce, and others that cannot be met by State and local authorities.

This approach will move the nation closer to a balanced budget and produce a transportation system more responsive to the people who actually use those services.

Briefly, the 1987 Department of Transportation budget provides a vision for the future in each of our modes and an integrated approach to national transportation policy.

The Department of Transportation budget is a model of how Federal responsibilities can be maintained while the deficit is reduced.

By focusing on Federal responsibilities, the Department will be able to function in fiscal year 1987 with a budget request of $21.7 billion. That is $5 billion less, Mr. Chairman, than last year, a 19 percent reduction. There is no lessening at all of our commitment to safety. There is emphasis on the importance of transportation users paying the full cost of the benefits that they receive.

The budget proposes that 84 percent of requested budget authority be covered by user fees, including fees for many services currently provided free of charge by the Coast Guard to commercial and recreational boaters.

We encourage an expanded role for the private sector in providing transportation services, by proposing the termination of both Federal government restrictions and Federal subsidies to programs such as to Amtrak that compete with private transportation providers.

We seek to increase the flexibility of State and local governments to use Federal trust fund resources through a combined interstate and primary highway program, and we hope to give local governments the ability to better meet their needs through a block

grant program for urban and secondary highway systems, bridges, and transit projects.

These are new concepts, and I think they are very effective in that they provide a lot more flexibility to the States and to the localities for the use of the funds.

Within the limits of trust fund receipts from the public, we are committed to maintaining the quality of the Federal-aid Highway System and improving the National Airspace System.

The budget protects safety across all transportation modes. In fact, there have been significant increases in particular programs. The budget provides for additional air traffic controllers, more aviation inspectors, and an increase in the number of truck safety specialists.

It provides a 200 percent increase in the motor carrier safety program, and continued support for railroad safety enforcement. We have also made certain that adequate funding is available to support our ongoing hazardous materials and pipeline safety programs, and the Coast Guard marine safety inspection and drug interdiction programs.

Finally, in the area of highway safety, $194 million is included for the National Highway Traffic Safety Administration programs, ranging from occupant protection to intensified efforts to combat drunk and drugged driving.

My Safety Review Task Force is taking a systematic and objective look at each of our safety programs. And Mr. Chairman, I think this Task Force has been very successful. They have been moving across the modes, starting with FAA, then Federal Railroads, Highways, and so on, taking an in-depth look at all the safety programs, and doing a very effective job, coming up with good recommendations, and those recommendations are being incorporated in each of the modes.

The Task Force's recommendations have gone to the very core of the way these programs work, and as a result, significant improvements in the programs have been instituted, thus ensuring that our strong commitment to safety is continued.

The budget reflects the theme of privatization. It assumes the sale of the government-owned freight railroad, Conrail. We have already transferred the Alaska Railroad to the State, as you know, and we favor transferring Dulles and Washington National Airports to a regional authority.

This again is something that has been underway for many years, and I think that we have a good opportunity of completing that process and providing a different funding base for these airports, so that they can move forward in a much more efficient way.

We also anticipate complete deregulation of the trucking industry, and transfer to DOT of residual rail and bus functions assumed through sunset of the Interstate Commerce Commission.

There is no question that DOT's budget, like the President's budget as a whole, is a bold initiative. It makes tough choices and it is time that we make those tough choices, and we believe these are the right choices to reduce the Federal deficit and to maintain the proper Federal role in transportation.

Mr. Chairman, I do have a longer statement that I would like to submit for the record, but this summarizes some of the highlights

of the budget, and of course you know Ray Karam who is the Deputy Assistant Secretary for Budget, and we are happy to have Ray here this morning as a witness also.

PREPARED STATEMENT

Mr. LEHMAN. Thank you very much, and of course your entire statement will be placed in the record.

[The prepared statement of the Secretary follows:]

OPENING STATEMENT OF THE HONORABLE ELIZABETH HANFORD DOLE,
SECRETARY OF TRANSPORTATION, ON THE FY 1987 BUDGET BEFORE THE HOUSE
APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION, FEBRUARY 20, 1986

Mr. Chairman, I am pleased to have the opportunity to meet with you and members of this Subcommittee to discuss the Department's Fiscal Year 1987 budget request. The important theme of our budget is the need to reduce the Federal deficit, while at the same time ensuring a safe and efficient national transportation system.

Through our transportation programs, we are already making a difference -- a positive difference -- for millions of Americans. For example:

* Our alcohol-drug rule for the railroads ended 12 years of debate and will prohibit on-the-job drug and alcohol abuse.

* Rule 208 has spawned enactment of safety belt use laws in 17 states and the District of Columbia. For the first time in the 15-year history of Rule 208, lives are being saved.

* And I am institutionalizing our extensive air safety monitoring program initiated in 1984.

This budget defines the proper Federal role in transportation, focusing attention and resources on a national transportation system that is safe and efficient, well maintained, and effectively designed to meet the needs of the American people. State and local authorities must assume more

responsibility for matters that are truly local in nature. This budget anticipates returning to the private sector those transportation functions best managed in the free market. In short, Federal funds should be devoted to those needs that are truly national in scope, such as defense and facilitation of interstate commerce, and others that cannot be met by State and local authorities. This approach will move the nation closer to a balanced budget and produce a transportation system more responsive to the people who use it.

Briefly, the 1987 Department of Transportation budget provides a vision for the future and an integrated approach to national transportation policy. The Department of Transportation budget is a model of how Federal responsibilities can be maintained while the deficit is reduced. By focusing on Federal responsibilities, the Department will be able to function in fiscal year 1987 with a budget request of $21.7 billion. That's $5 billion less than last year -- a 19 percent reduction.

- There is no diminution of our commitment to safety.

- There is emphasis on the importance of transportation users paying the full cost of the benefits they receive. The budget proposes that 84 percent of requested budget authority be covered by user fees, including fees for many services currently provided free of charge by the Coast Guard to commercial and recreational boaters.

- We encourage an expanded role for the private sector in providing transportation services, by proposing the termination of both Federal Government restrictions such as excessive regulation of motor carriers, and Federally subsidized programs, such as Amtrak, that compete with private transportation providers.

- We seek to increase the flexibility of State and local governments to use Federal trust fund resources through a combined interstate and primary highway program. And we hope to give local governments the ability to better meet their needs, through a block grant program for urban and secondary highway systems, bridges, and transit projects.

- Within the limits of trust fund receipts from the public, we are committed to maintaining the quality of the Federal-aid Highway System and improving the National Airspace System.

The budget protects safety across all transportation modes. In fact, there have been significant increases in particular programs. The budget provides for additional air traffic controllers, more aviation inspectors and an increase in the number of truck safety specialists. It provides a 200 percent increase in the motor carrier safety grants program and continued support for railroad safety enforcement. We have also made certain that adequate funding is available to support our ongoing hazardous materials and pipeline safety programs and the Coast Guard marine safety inspection and drug interdiction programs. In the area of highway safety, $194 million is

included for the National Highway Traffic Safety Administration programs ranging from occupant protection to intensified efforts to combat drunk and drugged driving. My Safety Task Force is taking a systematic and objective look at each of our safety programs. The Task Force's recommendations have gone to the very core of the way the programs work and -- as a result -- significant improvements in these programs have been instituted, thus ensuring our strong commitment to safety is continued.

Overall, the Department's fiscal year 1987 budget proposes budget authority of $21.7 billion, compared with $26.8 billion for FY 1986. We also propose to increase that portion of the budget financed by user fees. In fact, budget authority financed by the general taxpayers will, in this proposal, amount to only about $3.5 billion in fiscal year 1987, a reduction of $5.1 billion from the FY 1986 level.

As to programs in each transportation mode:

FEDERAL HIGHWAY ADMINISTRATION

For Federal-Aid Highways, we are proposing an obligation limitation of $12.4 billion which, with exemptions, will make $12.8 billion available for continuing construction and rehabilitation of highways and bridges. The $12.8 billion includes $2.2 billion for the highway share of a combined highway and transit block grant to be authorized in our proposed Surface Transportation Reauthorization Act. This block grant will enhance State and local governments' ability to make decisions on how best to use Federal funds to meet highway and transit needs. The $2.2 billion of highway funds

will be combined with $1.1 billion of transit funds. The total would be available for either highway or mass transit projects at the discretion of State and local jurisdictions. Also included within the Federal-Aid limitation is $50 million for Motor Carrier Safety Grants and a combined Highway and Transit Interstate Transfer Grants program of $500 million. All of the funding requested for the Federal Highway Administration will come from the Highway Trust Fund, financed by the Federal motor fuel tax and other highway user fees.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

To continue the current programs of the National Highway Traffic Safety Administration, we are requesting total budget authority of $194 million. Appropriations of $83.9 million, proposed for Operations and Research, will fund safety programs which include occupant protection, intensified efforts to combat drunk driving, and others. $6.3 million is included for the continuation of the national occupant protection program, designed to reduce fatalities and injuries from traffic accidents.

For safety formula grants to states, we are proposing $110 million. These grants can be applied to a variety of areas, including police traffic services, occupant protection, emergency medical services, and alcohol countermeasures. In addition, $17.9 million is proposed for alcohol safety incentive grants. No new budget authority is proposed for this program in FY 1987. The funds proposed are from carryover balances.

FEDERAL RAILROAD ADMINISTRATION

For the Federal Railroad Administration, we propose a total of $50.5 million. We propose a total of $11 million, together with $4.6 million by transfer, for the Office of the Administrator, including activities formerly funded under the Rail Service Assistance appropriation. We request $35.8 million for railroad safety activities, with enforcement of Federal railroad safety laws and regulations combined with safety-related research and development in upgrading railroad equipment, operations, hazardous materials, track safety, and safety testing.

We are requesting no funds for Amtrak or other rail subsidy programs. Although Amtrak has achieved limited success in improving its operating efficiency, it still accounts for less than 2 percent of intercity common carrier passenger miles. Amtrak has not demonstrated the promise of either future financial viability or benefits to the general taxpayer sufficient to justify continued financing from public funds at a cost of $3 to $4 billion over the next five years, during a period when the Federal deficit must be reduced.

URBAN MASS TRANSPORTATION ADMINISTRATION

In FY 1987, we are requesting $1.22 billion to be funded from the trust fund as contract authority. This will cover all programs administered by the Urban Mass Transportation Administration (UMTA). The policy underlying this proposal is that greater funding at the local level and greater participation by the private sector can and will reduce Federal costs in providing for the Nation's mass transportation needs.

The request includes $1.1 billion for UMTA's share of the new block grant program. These funds will be distributed to the states and local agencies on the basis of legislative formulas, in place of the formula grants program now being funded from general funds. For the first time, state and local agencies will be able to combine funding under this formula program with up to $2.2 billion in highway funding to pay for either highway or transit projects. Small cities and rural areas will be able to use a limited amount of block grant funds for transit operating assistance.

Also included within the $1.22 billion total are $30.5 million for planning grants; $35 million for elderly and handicapped grants; $26.8 million for Administrative Expenses; and $19.5 million for Research, Training, and Human Resources.

We are not requesting funding for the Discretionary Grants program. Continued discretionary funding, particularly funding for major new systems, can result in the development of inefficient, expensive transit systems when transit needs may be accommodated by lower cost alternatives. Concurrently with this budget submission, we are proposing a 1986 rescission of all existing discretionary funding for new systems and extensions, except for two cases where full funding contracts exist. The rescission proposal is for $521 million.

The Administration also proposes that the Washington Metrorail System be treated as any other new system or extension, and we will not request additional Federal construction funding under the Stark-Harris legislation.

FEDERAL AVIATION ADMINISTRATION

The Federal Aviation Administration budget authority request is for $4.8 billion, including $2.8 billion to operate and maintain the Nation's air traffic control and navigation systems, continue expanded airport security activities, establish and enforce civil air regulations, administer the airport grants program, and pay Headquarters administration costs. We are proposing legislation to finance 75 percent of these operating funds from the Trust Fund.

We propose $134.5 million for FAA research, engineering and development activities, and $825 million for planned facilities and equipment procurements under the multi-year NAS Plan program to modernize the National Airspace System. The critical elements of the NAS Plan are proceeding at a pace consistent with the projected growth in air traffic. Major new systems or replacement programs in FY 1987 include modernization of airport traffic control tower facilities, microwave landing systems, improvements to the radar microwave link system, and procurement of doppler weather radars, to replace existing en route installations and to provide coverage at major terminals.

Included in our Budget is an obligation level of $712.5 million for airport planning, development, and improvement grants, and for noise compatibility planning at our Nation's airports.

U. S. COAST GUARD

We are proposing $2.4 billion in budget authority for the Coast Guard, including $1.86 billion for the operation and maintenance of Coast Guard ships, aircraft and shore units. We are also proposing legislation to fund $30 million of this total from the Boat Safety Account with the balance of $15 million in that account to be available for state safety grants. We are asking for a total of $77 million, together with $190 million to be made available from reprogramming of 1986 Department of Defense appropriations, to fund needed capital improvements, including acquisition and renovation of cutters and equipment for aircraft. Also requested are $65.2 million to increase the Selected Reserve strength to about 13,000 members and $20.5 million for research and development.

We continue to support legislation to permit establishment of user fees for certain Coast Guard services. While estimated collections of $238 million in FY 1987 will represent less than 10 percent of the Coast Guard's overall budget, user fee ~~authority~~ is consistent with our position on the Federal role in transportation and the need to have those special groups who benefit from Federally funded services pay a fair share of the cost.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

The St. Lawrence Seaway Development Corporation will use its estimated revenues of $10.6 million, along with $1.4 million of prior year balances, to fund normal operating, maintenance and administrative costs, and to accomplish selected major maintenance and equipment replacement projects. We propose a limitation of $1.99 million for Administrative Expenses.

OFFICE OF INSPECTOR GENERAL

For FY 1987, we propose an appropriation of $27.6 million for the Office of Inspector General to assist DOT management in the administration of its programs and operations by conducting the principal audit and investigative functions for the Department.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Our budget proposes $20 million for the Research and Special Programs Administration to fund programs such as hazardous materials operations and research, and a combined Gas and Liquid Pipeline Safety grants program. We also propose operation of the Transportation Systems Center for half a year in FY 1987 pending its transfer to the private sector.

OFFICE OF THE SECRETARY

For the Office of the Secretary, we request Salaries and Expenses at $56.5 million for the general management and administration of the Department. The total includes new funding of $3.5 million for contract support of the Minority Business Resource Center, along with $0.5 million of prior year balances, and $3 million to continue contractual research and studies on critical transportation issues.

A proposed later transmittal will request additional funds to finance residual functions of the Interstate Commerce Commission (ICC), assuming enactment of proposed legislation to sunset the ICC. Under current plans, most of the rail functions will be transferred to the Department and economic regulation of other modes of transportation will be ended or greatly reduced. The President's Budget tentatively displays $7.8 million and 155 positions under the Office of the Secretary, pending analysis of organizational options.

The budget includes no funding for the Essential Air Service program, which proposed legislation would terminate in October 1986, two years ahead of schedule.

SUPPLEMENTALS AND RESCISSIONS

The Department's budget request also includes FY 1986 proposals requiring action by this Committee. In addition to rescission of UMTA's uncommitted new start funds and obligation limitation mentioned earlier, we are proposing FY 1986 rescissions of FRA funds totaling $58.4 million for rail preference shares, branchline subsidies, and the Northeast Corridor project. Also, we request a FY 1986 liquidating cash supplemental to settle $13 million of prior year defaults and interest under FAA's Aircraft Purchase Loan Guarantee Program.

CONCLUSION

Let me say in closing that the President's budget is a bold budget. It meets fiscal year 1987 goals of Gramm-Rudman-Hollings for reduction in the Federal deficit. As you consider the resource levels in this budget request, I think you will agree that they would permit us to make significant progress toward our mutual goal of a safer, more reliable, and more efficient transportation system, while making the necessary contribution to our Nation's deficit reduction effort.

This concludes my prepared statement. I would now be glad to respond to Committee questions.

OPENING REMARKS

Mr. LEHMAN. At this time, I would like to recognize my colleague, the Ranking Republican Member, Mr. Coughlin, for a statement he would like to make at this time.

Mr. COUGHLIN. Thank you very much, Mr. Chairman. I apologize that I was at a meeting with our leadership on the very question of the budget, and I do want to welcome you here. You have been a very distinguished Secretary of Transportation. There is no more thoughtful and hardworking member of the Cabinet, indeed, and there is certainly no more popular member of the Cabinet today.

Secretary DOLE. Thank you very much.

Mr. COUGHLIN. It is an honor to have you appear here and to work with you. We have not always agreed on everything, but we have always been able to disagree without being disagreeable, and I think that is an important thing for all of us.

Secretary DOLE. Yes.

Mr. COUGHLIN. We look forward to working with you as we go through the process this year. It is going to be a difficult time for all of us. I yield back to the Chairman with those remarks. Thank you for being here.

Secretary DOLE. Thank you very much. I appreciate that.

GRAMM-RUDMAN-HOLLINGS IMPACT ON FAA AND USCG

Mr. LEHMAN. Thank you, Mr. Coughlin. We will start with the questions, but before asking about your 1987 budget, I would like to receive some clarification about the impact on the FAA and the Coast Guard, of the 4.3 percent Gramm-Rudman-Hollings cut for fiscal year 1986.

First, regarding the FAA, last fall, in describing the FAA's ability to absorb additional budget cuts, Admiral Engen told us, and I quote:

"The flexibility available to the FAA to absorb reductions and still perform its functions simply does not exist. Cuts in the FAA's operations budget go to the very heart of the FAA. It is these monies that provide us with the wherewithal to provide safety for the air traveling public."

The FAA operations budget for fiscal year 1986 will be about $65 million below the fiscal year 1985 level due to Gramm-Rudman.

Was Admiral Engen's characterization of the FAA's ability to absorb reductions accurate, and to what extent can these reductions be made without endangering the air traveling public?

Secretary DOLE. Mr. Chairman, for fiscal year 1986, after March 1, with this across-the-board impact, let me say, first of all, that Admiral Engen, for the FAA, and Admiral Gracey, for the Coast Guard, have undertaken measures looking toward that eventuality, that possibility.

They began, at the beginning of this fiscal year, to slow down certain noncritical functions—for example, less travel, cutting back in administrative costs. Admiral Engen put a freeze on hiring, and Admiral Gracey has cut back recruiting. And these have, indeed, produced some savings that are significant.

At the time that we discussed the Gramm-Rudman impact for fiscal year 1986 at OMB and the White House, I indicated the im-

portance, of course, of fencing off the inspection area, the security area—in other words, the increase that I had announced earlier in the numbers of inspectors, and air traffic controllers, and security personnel.

And I emphasized that if, in any way, cuts in the support personnel for these functions were imminent that I would be back to work with OMB, and to seek a transfer between accounts.

In other words, a supplemental, a nonmonetary supplemental. Now, as we have moved along through this period of time it has become clear to me that there is going to be some substantial, adverse impact outside of this area of your controllers and inspection people, and so on, which is fenced off from cuts.

There will be, I believe, some impact in the support personnel, and so we are working now on this nonmonetary supplemental, and we will be moving in that direction.

Mr. LEHMAN. You mentioned a FY 1986 FAA supplemental, a nonmonetary supplemental, which means legislatively moving from one account——

Secretary DOLE. Between accounts.

Mr. LEHMAN [continuing]. To another, and I suppose because 75 percent of the FAA budget is personnel——

Secretary DOLE. That is right.

Mr. LEHMAN [continuing]. And they are vital to safety, you are going to have to consider those things. However, it was not much over a week ago, on February 6th, during our full Committee Overview Hearing, that Budget Director Miller said that the Administration had no plans for an FAA supplemental for 1986 or 1987. This, in a way, contradicts what you are saying, because he did not qualify it as to whether it was going to be a monetary or nonmonetary. He said no supplemental plans.

How can aviation safety, as we talked about, be one of the six highest priorities in the President's budget, and yet, as we said, according to the head of OMB, no supplemental will be requested?

Secretary DOLE. Well, as I indicated, I had mentioned earlier to OMB that I would monitor this and be back if it appeared that there would be an impact we could not manage without help from the Congress. We are just in the process, now, of preparing this to send to OMB.

So I have not yet been in contact with Jim Miller on the specifics of this, but I do feel, in all candor, Mr. Chairman, that it is going to be necessary to do that, and that I will have the support to do it when we lay out the reasons for this, and how this could impact on crucial functions such as support personnel—not directly the air traffic controllers, or the inspectors, but other support people.

Mr. LEHMAN. I understand. Those are, for example, the people that fix the computers and radars.

Secretary DOLE. And as you say, both FAA and Coast Guard have large operations accounts that are heavily labor-intensive, and that does make a difference.

FAA is 75 percent personnel. So, we will, indeed, be sitting down to talk with Director Miller about this, and, as I say, that has not taken place yet; but I assume when he sees all the information that I have, that we will definitely be working together to achieve this goal.

Mr. LEHMAN. I am certain you can change his mind. We are fortunate today to have with us the Chairman of the Appropriations Committee. I will interrupt my questions, so that Mr. Whitten can also welcome you.

Secretary DOLE. Thank you. Good.

BUDGET PRIORITIES

Chairman WHITTEN. Thank you, Mr. Chairman. Madam Secretary, we want to congratulate you for doing a good job. We all have our hands full this year. I asked the Speaker to put Members of the Appropriations Committee on the conference on Gramm-Rudman. They start off with an assumption, and build on that, if I may say so. We do not know just where that leads us, as of now; but I do welcome this chance to say that, in my view, the country backs up all the commitments we have, defense and otherwise, and we had better keep a sound economy. Our real wealth is our own country and we must not stop looking after the essential things.

I frequently say that we need to balance the budget, but at a high enough level to take care of essential things. A report goes that some years ago, Ethiopia had the only balanced budget in the world; it did not owe a dollar and did not have one either.

So it is where you balance this budget. I point out this year, that of all the cuts recommended by the Office of Budget and Management, none of them will go in on the debt or the deficit. They are going to increase the carryover funds for military spending.

They have asked that it be increased to $299 billion. I know the rules, where any Department head is limited to the budget unless asked questions, but I am glad to see you, and others, fight to keep the essential things to back up the military. I have supported defense longer than anybody, and I hope equally as well. But I am glad to see us look after our own country because that is essential.

Secretary DOLE. Yes, sir.

Chairman WHITTEN. Certainly I have followed that line since I have been here, and I think that if we ever slow down on the build-up of people in the military, we are going to need somewhere to turn to keep the same activity going.

So I hope in the background, though you are limited here to what the budget has approved, that you have got plans where, if we ever do slow down on the military side, we will have other activities. As I say, you cannot pay a cheap dollar borrowed with a hard-to-get dollar. We are going to have to keep that activity, and there are so many things we need to do. I am on Public Works and Agriculture Appropriations and on both of those, there is just a world of things that need to be done.

But if we ever slow down on the buildup in military, we need some place to put that activity to keep things going.

So congratulations, again. I am glad to see you.

Secretary DOLE. Thank you, sir. I am delighted to see you, and I appreciate your coming by this morning. Thank you very much.

Chairman WHITTEN. Thank you, Mr. Chairman.

Mr. LEHMAN. Thank you, Mr. Chairman. Are there any questions you would like to ask at this time?

Chairman WHITTEN. I believe I will follow your lead, as usual.

Mr. LEHMAN. I see you have your own budget in your hip pocket back there, so I know we are safe.

Chairman WHITTEN. They want us to appropriate for a new Farm Bill, but without a Secretary and without hearings, in a supplemental, so we get lots of calls. [Laughter.]

FAA NONMONETARY SUPPLEMENTAL

Mr. LEHMAN. Thank you for being with us, Mr. Chairman.

You mentioned the supplemental, the nonmonetary supplemental. In the event this does not happen—and it is still possible that it may not happen—can we be assured that there is now sufficient funding within the FAA operations budget to prevent furloughs in fiscal year 1986?

If not, how much will be required in this nonmonetary supplemental to prevent such furloughs?

You can imagine what kind of morale you are going to have in FAA if you start laying off people one day a week, for example.

Secretary DOLE. Yes, and I think morale problems would exist if you tried to divide that into those that are involved in safety-related functions and those who are not, or that sort of thing.

So I would say that, without the nonmonetary supplemental, any other solution would be likely to involve furloughing, Mr. Chairman, but I am confident that we will achieve what we are seeking here.

At this point in time, we are still putting this together so I do not have a lot of details on what we would be requesting here, but, you know, we are working through it now and we will be going to OMB and moving it forward very quickly.

Mr. LEHMAN. Safety is your number one priority, and if you do not have the money, the amount of civil aviation that we will allow to fly will have to be cut back in order to keep the same level of safety. You cannot have it both ways.

Secretary DOLE. Well, the problem I think that exists, if you were not to have the supplemental, is that you would probably have to go to the furloughing, and it would be possible to split them out, but not good from a morale standpoint. From a managerial standpoint it would be——

COAST GUARD FUNDING NEEDS

Mr. LEHMAN. And it would not be good for the volume of civil aviation because you cannot fly, have the same number of flights with fewer FAA people, and still maintain the same level of safety, in my opinion.

Regarding the effect of Gramm-Rudman on the Coast Guard, we were also told last fall that if the Coast Guard's operating expenses were reduced by approximately 12 to 13 percent, as then proposed by the Senate, that there would be very serious adverse impacts.

Some of the impacts included:

A loss of 8,500 Coast Guard personnel;

the inability of the Coast Guard to respond to at least 4,000 search and rescue cases;

a 20 percent reduction in the Coast Guard's drug interdiction efforts; and

the near total elimination of the fisheries enforcement.

While the actual total reduction in the Coast Guard's operating expenses budget due to Gramm-Rudman is in the range of 4 to 5 percent, most of this reduction will have to be absorbed in just over one-half of this fiscal year.

How accurate were the characterizations of the ability of the Coast Guard to absorb reductions in operating expenses, and to what extent will there be reductions in personnel and in search and rescue, drug interdiction, and fisheries enforcement missions during the second half of this fiscal year?

Secretary DOLE. Well, again, Mr. Chairman, we are looking at the supplemental because we do not want any critical activities to be impacted.

Now the Commandant began, at the start of this fiscal year, a slowdown in recruiting, elimination or deferral of noncritical activities and obligations, and through the first quarter of fiscal year 1986 has been able to achieve a high level of savings in the operating expenses account.

This includes such things as replenishment of inventories, recruiting, some permanent changes of station, personnel rotation, training in noncritical areas, travel.

So there has been a real effort to try to provide all the savings that would be possible, looking to the March 1 timeframe.

Now, in addition to the 4.3 percent Gramm-Rudman-Hollings cut on our own OE appropriation, there is a 4.9 percent reduction on the defense side, the $115 million of Coast Guard operations funding provided in fiscal year 1986 through DOD reimbursements.

Then there are also two other items that impact here. Approximately $30 million in new, unfunded military pay raise and entitlement provisions, and also, an initial appropriation of $36 million less than originally requested, by Coast Guard estimate. So, we are looking at a situation here, where, once again, I think it will be necessary to go for a nonmonetary supplemental in order to make certain that those critical functions are not impacted in the seven months that remain, and we are putting that together.

And as soon as we have that ready, with all the numbers, I will be very happy—in fact, I would like to consult with you on it.

Mr. LEHMAN. Yes. I would like to know what kinds of impacts we are talking about in that——

Secretary DOLE. Exactly.

Mr. LEHMAN [continuing]. Because every time you are at a Coast Guard base, the impression you get is they are already at a "bare bones" operation.

I am told that the kind of hours they have to work to spread out the workload, and the kinds of working conditions they have to endure are not encouraging people in the Coast Guard to reenlist.

So I do look forward to working with you on a supplemental——

Secretary DOLE. Very definitely.

Mr. LEHMAN. At this time I would like to yield to my colleague from Pennsylvania.

AVIATION SAFETY

Mr. COUGHLIN. Thank you very much, Mr. Chairman. Let me just follow-up a little bit on the Chairman's questions on aviation safety. Certainly, this past one was not a banner year for aviation safety.

Did you request from OMB any money for a supplemental for the FAA, for aviation safety personnel?

Secretary DOLE. Are you speaking of——

Mr. COUGHLIN. Was there a request from the Department to OMB for that?

Secretary DOLE. For safety?

Mr. COUGHLIN. Right.

Secretary DOLE. Well, safety functions have been protected in this budget, in the fiscal year 1987 budget, and it was a 1986 supplemental that I was speaking of. If there is an impact on support personnel, then we would, indeed, ask for the supplemental, and we have determined that there will be a 1986 impact where safety personnel are concerned. So we will, indeed, be asking for that supplemental.

Mr. COUGHLIN. You will be asking for a supplemental in that area?

Secretary DOLE. Yes, that is right.

Mr. COUGHLIN. And in your budget that you are proposing for this year, what did you request from OMB for the FAA in operations?

Secretary DOLE. Let me see. The operations budget, specifically, we will get that for you. Maybe we can pull that for you here. Can I just make a general statement here, while Ray is checking that number for us.

When I mention that we are going for the supplemental, I am speaking now of the 1986 nonmonetary supplemental that addresses the personnel issue. In other words, that the operations account for FAA is very labor-intensive with 75 percent being personnel, and even with the freeze on hiring, which produces about a thousand slots, and even with the other kinds of savings that the Admiral has undertaken with regard to administrative costs, travel, and so on, we are looking at a need here, in order not to impact, to have to furlough, for example, personnel who are related to safety functions.

But very clearly, this budget reflects a fencing off of air traffic controllers, inspectors, and security personnel.

And if I could make one more comment on your comment, that this was not a good year for air safety. Indeed, worldwide, the number of fatalities was at a high, and of course that was primarily because two crashes, Japan Air Lines and Air India, had such high numbers of people, 520 on Japan Airlines, and Air India with 329.

But Congressman Coughlin, I would like to make this statement, and it may take a moment to do it, if you do not mind.

But I think it is important to put on the record our concern for air safety, and I think you and I would agree that one crash is one too many. We want to do everything possible to protect the safety of the traveling public.

But we have the safest system in the world, the safest air traffic control system. Our standards are the model for the world.

Others model after our system, our air traffic control system, and our standards. And from the first day that I arrived on the job I had safety as a top priority.

We have had any number of special investigations, special inspections, looking at our own operations. How can we do what we are doing even better? How can we tighten up, or improve?

We have had a task force report. We had a report on the inspections system. We had a special inspection program, involving 14,000 additional inspections, over and above the normal inspections for air carriers.

We have finished a general aviation special review. There have been any number of these, which have produced some very good recommendations for improving the system, and making a safe system even safer. But every day in the United States, 15,000 flights take place; a million people travel; and 99.999 percent are without accident or injury. So, I think we have a system we can be proud of. That does not mean we are not going to do everything possible to make it even safer.

Mr. COUGHLIN. Let me ask, while they are still looking up the figures, unless they have them already——

Secretary DOLE. Fiscal year 1987, operations, the request to OMB was $2.9 billion; the President's budget is $2.8 billion. We have a difference of about $100 million.

SAFETY SUPPORT PERSONNEL

Mr. COUGHLIN. Can you tell me what you mean by "support personnel."

Secretary DOLE. Yes. For example, when the inspectors complete their reports and file them, there has to be a certainty that those recommendations are going to be followed up and implemented.

So, there would be personnel, for example, who would make certain that the next step is taken. It is just all of the people who are involved in supporting the inspection operation, or the air traffic control operation.

In other words, it may not be an air traffic controller per se, but there are a lot of personnel involved in the backup and support, making sure the reports are completed and typed, and followed up on, and those kinds of things.

Mr. COUGHLIN. Does support personnel include maintenance personnel?

Secretary DOLE. Yes.

Mr. COUGHLIN. So, you might end up having a reduction in maintenance personnel?

Secretary DOLE. Well, now, we are not talking about reduction; we are talking about furlough, in order to meet Gramm-Rudman 1986, what would be necessary—and I believe FAA feels that it could be done by splitting out, in other words, furloughing non-safety-related personnel.

But the morale problem in doing that kind of split would be severe, and so the focus here ought to be on the fact that we are

going for the supplemental, and we expect to achieve OMB agreement on that.

I am confident that our difficulty with-across-the-board cuts, because of these large operations accounts, will be acknowledged and addressed. So we will be able to shift between accounts to relieve the pressure.

Mr. COUGHLIN. I guess I would be concerned if we are talking about furloughing maintenance personnel, as being fairly critical to safety.

Secretary DOLE. With our proposed funding transfers, you can rest assured, rest assured, no maintenance personnel will be furloughed, period.

MASS TRANSIT BUDGET

Mr. COUGHLIN. Let me just ask a couple of questions about mass transit, and then yield back, if I may. The mass transit budget shows about a two-thirds cut from the fiscal 1986 levels with a penny a gallon for mass transit from the gas tax being the only funding remaining. In addition, the new transportation block grant is proposed.

What was your submission to the Office of Management and Budget for the mass transit area?

Secretary DOLE. Mass transit submission, let's see, the original submission to OMB—I am sorry we do not have those right in front of us here. I think there is a sheet somewhere, where I listed all of those, Ray, so that we could be responsive. Here we are. Which particular aspect did you ask about, or, overall UMTA?

Mr. COUGHLIN. Over all UMTA funding.

Secretary DOLE. Okay. We have got to add this, here.

Mr. KARAM. We have the major categories here, sir, comparing the request to OMB and to the request to the Congress.

Mr. COUGHLIN. If you would just read them all off, that would be fine.

Secretary DOLE. Go ahead.

Mr. KARAM. For the operating assistance portion of Formula Grants, the request to OMB is $143 million, and in the request to the Congress is about $128 million, but it is included in the Transportation Block Grant under the new surface transportation legislation proposal, and an additional amount not to exceed $56 million would be available from highway block grant funds.

Washington Metro, the request to OMB was $212 million, and the request to the Congress is zero. The Interstate Transfer Grants have been combined with the Highway Interstate Transfer Grants in both requests, so that would appear in another category under the new legislation that we are proposing.

And the Transportation Block Grant of $1.22 billion in the new legislation we are proposing, which includes Administration and R&D, compares to $1.3 billion that was requested of OMB in the first instance.

Secretary DOLE. So, overall, last year it was, let's see, $3.2 billion, and this year we are looking at $1.2 billion. There is a large cut there.

Our proposal to OMB was submitted prior to Gramm-Rudman. Gramm-Rudman obviously changed the scenario, in terms of going back and once again looking at programs and assessing the Federal role in transportation policy.

And I believe, Congressman Coughlin, that this budget is the correct way to go. Transportation is going to have to make its contributions to deficit reduction like other aspects of the economy.

It is time that we deal with these deficits. The President is committed to it. The Congress has passed Gramm-Rudman, obviously looking at reducing the deficits in 1987, fiscal year 1987, to $144 billion, and in order to do that, we have to do exactly what Gramm-Rudman is designed to do. It is designed to impose discipline. It makes us get down to the hard choices and set the priorities, and decide what are the truly Federal functions here, and what are those that are better performed by State and local governments.

Now, in mass transit, less than one percent of State and local governments' budgets go to mass transit. There is some room there.

Also, we look at what the National Conference of State Legislatures has recently estimated to be $7.1 billion in surpluses at the State level, whereas we are running these huge deficits which must be brought under control if economic expansion is going to continue, and we are going to get interest rates down, and all the rest.

EQUITABLE DISTRIBUTION OF BUDGET CUTS

Mr. COUGHLIN. I would agree that transportation has to take its fair share of cuts. I would suggest that they can be fairly distributed.

Secretary DOLE. Well, let me speak to that point for just a moment because we are looking at functions that are primarily regional, State, local responsibilities, whereas other functions are more involved with defense, or an interstate, facilitation of interstate commerce. The relationship there is stronger in other modes than it is in transit, as far as those two important national goals, defense and facilitation of interstate commerce.

But you look at the fact that—for example, transit operating subsidies, let's just take that as an example in this area. We have tried, certainly in the three years I have been here, and also when Drew Lewis was Secretary, to phase down and out operating assistance because we believe, and I believe this strongly, those are decisions that are best made at the local level.

I believe that because I do not think it produces efficiencies in the system, when Uncle Sam out here somewhere pays the bill, and of course he is no longer the rich uncle.

But if Uncle is paying the bill, there is not the incentive, at the local level, to really build in efficiencies. When you are talking about whether or not service should be extended, what should happen with rates? Should they be lowered? Collective bargaining. Various choices that have to be made, and it is easy to decide to lower the rates, or to do other things which may be attractive, but which, when you have to pay the bill—you know, you are looking at a massive bill.

And I think those two need to be tied together so that we produce efficiencies in the system. It just does not work to separate

them. But we have not been able to get that message across, in many years of trying to articulate it.

Mr. COUGHLIN. I know the fiscal year 1987 budget request is very similar to that of last year, which was eventually modified by the Congress and accepted by the President.

Secretary DOLE. But now we are looking at Gramm-Rudman and a very different climate.

INCENTIVES FOR EFFICIENT PLANNING

Mr. COUGHLIN. I am not going to argue that Congress will make these radical changes this year, (a) and (b), adopt the authorizing legislation needed for the new block grant.

Are you confident that the Congress will do that?

Secretary DOLE. Well, I hope so because I think the block grant really produces flexibility for the localities that is very important.

Right now there is no incentive to really plan in an integrated manner because if there are pots of money, and you are eligible for some here and some there, you know, the tendency is, "Let's get whatever's coming to us," rather than sitting down and planning—all right—now, what are the true needs of this community looking out over the next five, ten, twenty years?

Do we want to lean more heavily on mass transit? Or is it urban highways? What is going to be the best mix for this community?

That kind of incentive for what we call urban mobility planning, I think, makes a lot of sense, and to give the States and the localities more flexibility to do what they feel directly meets the needs of the people in that community, rather than taking orders from Washington. I think it has a lot of appeal. Also, there is the combination of interstate and primary funds in a program that provides flexibility.

Now they will be able to use those funds back and forth across both of these programs. The interstate and the primary program and the block grant.

So that if you want to put all of your money into completing your interstate portion, you could take all of that money and put it into interstates. And it would not count against you, against your allotment for interstates in the coming year.

Mr. COUGHLIN. Mr. Chairman, I have other questions that I might ask as we go along and cover other modes, so that we are not going——

Secretary DOLE. May I make just a couple more statements on mass transit, because, you know, I think it is really time that we get these facts on the table and look hard at this area.

I do think that it is primarily an area for local and for State and regional input. As I mentioned, less than one percent of State and cities' budgets goes to mass transit, and look at the fact that bus drivers are paid fifty to one hundred percent more than their counterparts in the private sector, and that the system is overcapitalized right now.

It is only at peak periods, when you need the most buses, but one-half of the transit systems in the United States have 70 percent more buses than they need, even at peak time. Why is that?

Well, it is an easy answer. You know, you only have to give 20 percent participation for a new bus; it is fifty percent local cost if you continue to maintain it from local funding sources.

So these kinds of incentives in the system are skewed in a way that is not producing efficiencies. I really think, looking at the deficits and the problems that we face, it is time for us to come to grips with some of these issues.

Mr. COUGHLIN. I think the only place where you and I might part company, theoretically at least, is my belief that mass transit is indeed part of an integrated transportation system, and a balanced transportation system, that all of the various modes go hand in hand——

Secretary DOLE. Well, I would agree, but I would think this is one where we would call on the localities for greater participation because of the nature of the service. One other item here is an interesting fact to be put on the table, when you look at the situation here, in Washington. There has been a great hue and cry about not continuing on WMATA funding.

$4.4 billion has been put into the system here and $3.9 billion for all other systems in the United States combined. These facts are impressive, and I think when we get them out and have some dialogue and discussion, maybe we can reason together in some of these areas and come up with some efficiencies that will make a lot of sense, across the board.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. LEHMAN. Mr. Carr.

Mr. CARR. I will reserve, if I might, Mr. Chairman.

Mr. LEHMAN. Mr. Durbin.

Mr. DURBIN. I will reserve at this point.

Mr. LEHMAN. Mr. Mrazek.

TRANSPORTATION BUDGET REDUCTIONS

Mr. MRAZEK. Thank you, Mr. Chairman. I would also like to compliment the Secretary on the fine job that she has been doing in this Department, although I would perhaps question the citation of Gramm-Rudman within the context of the very drastic cuts that are being proposed in certain areas of the transportation budget.

The central thrust and thinking behind Gramm-Rudman and those of us who have supported Gramm-Rudman, was that virtually every program in the Federal government has an important constituency supporting it. And when one talks about agricultural price-support programs that might be looked upon in a regional context, or when one looks upon water projects—for example—that might also be looked upon in a regional context, all have important constitutencies in Congress, as does mass transit, Amtrak, and other programs.

It was felt that perhaps the best approach would be to take an across-the-board look at the Federal government and say fifty percent of the cuts ought to come out of one sector, defense, and fifty percent out of the domestic sector.

Although some suggest this was mindless, others believe that it is reasonably fair to make an across-the-board cut, percentage-wise, in different programs.

Now if you look at a 5 percent cut in mass transit, you would be talking about reducing the transit budget by about $160 million to $200 million.

Instead, you are talking about cutting a couple of billion dollars. There are many people who like to believe that mass transit offers important conservation approaches, in terms of energy for the future of this country, and that this is the kind of thing that ought to be underwritten by the Federal government. Needless to say, we have had this discussion before, and I——

Secretary DOLE. This is one where we had to agree to disagree.

MASS TRANSIT OPERATING ASSISTANCE

Mr. MRAZEK. In the past there has been some discussion about a study on the part of the Department of Transportation to determine what impact cutting back a couple of billion dollars from operating assistance, and the formula grants, and new start money would have on large cities.

Has the Department of Transportation conducted——

Secretary DOLE. Is this a study you are referring to, of what it would take to bring all systems up to par?

Mr. MRAZEK. No. In essence, I am talking about an analysis of the impact of these cuts on service in our major cities in the United States.

Secretary DOLE. I see.

Mr. MRAZEK. And particularly on people who rely on mass transit, the elderly and the poor.

Secretary DOLE. Let's see. In terms of a specific study, I think we have a great deal of information that I would be glad to share with you on how we came to these decisions, and why we feel there should be more local participation. For example, on operating assistance, the large cities generally only have in their budgets less than 10 percent reliance on the Federal government for operating. Washington WMATA, for example, is 5 percent Federal input on operating assistance. So that is why we propose the provision that only cities under 200,000, which generally are much more reliant on the Federal government for operating assistance in their budgets, could still use Federal funds for operating assistance.

So there are a number of things of that sort. Now one study per——

Mr. MRAZEK. If we could just go back to that point. Why would Philadelphia or New York—for example—be precluded from utilizing the block grant monies for operating assistance?

Secretary DOLE. Because of the comment that I made earlier about our view that it really does remove the incentives for efficiency in the system.

I believe this and have since the beginning of my term at the Department. Drew Lewis had been articulating this earlier.

But I do feel that this is an area that truly should be the responsibility of the localities because you need to connect the decision-making and the payment for those decisions.

In other words, if you are looking at how much is going to be paid—well, the whole collective bargaining process. If you are looking at whether or not to reduce your rates, those kinds of decisions

need to be made knowing that you are going to be paying the bill for them. When you separate that, it works against efficiencies in the system. So for that reason we felt—and also the big cities not relying on the Federal government to any great extent for funds in this area—it was better to terminate that but leave some flexibility for smaller cities. It is not that we do not think that the small communities need to do the same thing, but give them time, even though they have known for five years or six years that this was the direction in which we were trying to move.

But they are much more dependent for operating assistance on the Federal government than cities over 200,000, so that was the thinking.

Going back to the study, we do have the Pickerell study for 1983, and let me just quote a little bit from this. Pickerell says "Only 16 percent of Federal operating funds have gone to maintain or increase service; the rest has gone to increase wages and salaries in excess of the cost of living, about 25 percent more", and our studies show that overall, drivers are paid 50 to a hundred percent more than private sector drivers.

These funds have gone to offset declines in labor productivity, 18 percent; to pay for higher energy prices, 10 percent; and to support lower fares, 28 percent.

Then there was a survey at the University of California that asked transit systems of all sizes how they plan to replace Federal operating subsidies. Respondents, who had an average of nine years of experience in the administration of transit service, were assured confidentiality.

The responses showed that results would not be drastic even for small cities. For example, cities with a population under a hundred thousand plan to replace 63 percent of lost Federal assistance by increased State and local aid; 14 percent by increased fares; 12 percent by decreases in service; and 11 percent by efficiency and productivity gains.

So those are some of the things that were used in making these decisions.

PROPOSED ELIMINATION OF AMTRAK SUBSIDY

Mr. MRAZEK. Madam Secretary, when you talked earlier about those elements of the transportation budget that have importance from either a defense standpoint or interstate transportation, I am curious about how Amtrak could have been zeroed out in the budget when, in fact, it does provide interstate facilitation of traffic.

Secretary DOLE. Facilitation of interstate commerce—the figures on Amtrak show that less than 1 percent of intercity passengers use Amtrak. The average subsidy is about $33 for every person who steps a foot on Amtrak. Amtrak was begun back in 1971 as a two-year, for-profit experiment. And $12 billion later we are having to reassess in light of the fact that we cannot continue to do everything that we have done in the past.

And I think that we do need to put it back into this framework of trying to determine, to reassess the federal role in transporta-

tion and recognize that we simply cannot continue to do everything that we have done.

So, you look at that and you see that over the next four years, it is going to be $3 billion or $4 billion more in subsidies for Amtrak. And it accounts for less than 1 percent of intercity travel. Even in the Northeast Corridor where it is most heavily used, it is only about 10 percent of intercity travel.

Mr. MRAZEK. Well, why would it not be, perhaps, a little more prudent from a planning standpoint to take those areas that you would perceive to be of only regional importance and say we are not going to continue funding those, but those areas of the Amtrak system that do provide some——

Secretary DOLE. Shut down certain lines. You know——

Mr. MRAZEK. Say, the Northeast Corridor which does provide perhaps a——

Secretary DOLE. You know the one reason that just right away stops the idea of going down that road—unless there were some alterations in this system—is the contract between Amtrak and its employees providing for six years full salary if their job is terminated. So, if you started to shut down some lines, the amount that you would have to pay labor under those contracts is so much that it does not enable you to run the other parts of the system effectively. It does not give you the funds that you need. It is sort of a domino effect, it just does not work.

Unless you were to renegotiate the contracts. I think at this point in time, that is truly needed here, and we are very happy to be the facilitator in this process. This is the role that I see us playing. I do not know how much more we can do than be an effective facilitator here. I have directed John Riley, the Federal Railroad Administrator, to sit down with Amtrak management, specifically Graham Claytor, to look at the system in terms of every possible way of cutting costs and producing more revenue. Amtrak should talk to labor. You know, we need to come to grips with the kinds of problems that exist and who needs to do what in the way of some sacrifices here, if we want to keep the service going.

State and local communities that really feel that Amtrak is serving a need for them, need to become aware of the realities here and look at what needs to be done. There is the possibility certainly, that we could readjust on the Northeast Corridor so that Conrail and the commuters are paying their full share for the use of the lines. I have presented this to the Congress before, and I would advocate that we do this. Amtrak pays more than its full share right now. That kind of an adjustment could be made.

Mr. MRAZEK. Can I then interpret your comments to mean that this is a certain amount of jawboning to eliminate the entire amount of funding for Amtrak in order to stimulate some of the major and fundamental changes that——

Secretary DOLE. No. I will tell you, the changes would need to be made immediately. In other words, the view that we have is that when you are taking a hard look at transportation policy and you see that one aspect, passenger service, is providing less than 1 percent of intercity travel and you realize that you have put $12 billion into it and it is going to take you another $3 billion just to get through the next four years, and that you are subsidizing an aver-

age of $33 a person. You know, it is time to come to grips with that. It did start out as a two-year, for-profit experiment.

Now, last year, we said that there are some alternative ways of doing this and we would be glad to facilitate it. But, frankly, nobody was listening, nobody was listening. That is the first thing that has got to happen. After that message is perceived, that there really is going to be a change here, then we can sit down and really go to work on what are all the different possibilities. What can we do to help communities that want to preserve the service? What can they do to help themselves, and management and labor and changing the mix on the Northeast Corridor and so on?

And it would need to be done very quickly. There is not a lot of time, you know. How do you get people to really focus on those alternatives? We certainly did not achieve that last year. There was some discussion with Northeast states, but this is another thing. We will sit down with every single governor and leaders in the states through which the trains run, to talk about the possibilities.

OVERALL MASS TRANSIT CUTS

Mr. MRAZEK. My final question, Madam Secretary, again relates to the overall mass transit cuts. And I am simply wondering whether you would agree that a $2 billion cut in mass transit will significantly and adversely impact on the elderly and the handicapped who take advantage of these systems around the United States?

Secretary DOLE. Well, once again, I do not see this as just eliminating service. I think the question is: What are the alternative ways to address it?

So, I would not want to make a blanket statement like that. I think that——

Mr. MRAZEK. You do not believe that it would have an adverse impact?

Secretary DOLE. Right. I would not say that. Because I think that there are other ways. When you look at the fact that the states and the localities have less than 1 percent of their budget tied up in mass transit. Now, if there really is a commitment to it, I would think that there is some flexibility there to encourage more participation at the state and local level and less on the federal level.

It has just gotten out of kilter here and again, that is something that we would want to work through.

But I do think that here is truly an area where it is not the federal responsibility as much as in other modes of transportation.

Ray, do you just want to go ahead with this? We do have some figures on the handicapped.

Mr. KARAM. We do have some programs in the mass transit accounts for the elderly and the handicapped. After the Gramm-Rudman-Hollings reduction, the 1986 level would be approximately $29 million in that program. Under the 1987 proposal, it would be something like $35 million. So we have built a fence around that particular type of money because of the problems of the elderly and the handicapped.

Secretary DOLE. That particular pot of money.

Mr. MRAZEK. Thank you, Madam Secretary.

Secretary DOLE. Thank you.
Mr. LEHMAN. Mr. Wolf?

WASHINGTON METRO FUNDING

Mr. WOLF. Thank you, Mr. Chairman.

I want to welcome Madam Secretary to the Subcommittee. I have a series of questions. The first one, I guess, will probably be the most difficult one. It is with regard to Metro.

I did not vote for Gramm-Rudman-Hollings. I agree with George Will when he said he was not sure that the soldiers at Valley Forge shivered out there—and I come from that area originally—for all of those months so that an unnamed person down at OMB can make the decisions on what we do on mass transit and on all the other major problems of the world.

I think it is going to come back to haunt us.

You said that you made the request of OMB for $212 million for Metro, is that accurate?

Secretary DOLE. Yes.

Mr. WOLF. That tells me that you do support WMATA funding and if this Committee were to put additional funds in the budget for Metro, that would not particularly bother you.

Is that accurate?

Secretary DOLE. No. I think that recommendation was before Gramm-Rudman-Hollings.

Mr. WOLF. Well, but——

Secretary DOLE. We had to go back to the drawing boards then. And I do disagree to some extent with what was said earlier about the across-the-board cuts under Gramm-Rudman-Hollings. To me, the across-the-board is the worst possible scenario. But I think that Gramm-Rudman-Hollings provides the discipline, you know, it closes the escape hatch. Because it would impose an alternative that is so bad, in my view, which is across-the-board cuts, that it provides the discipline to get down to making the hard choices, and setting the priorities, and really reassessing the Federal role in transportation, and so on.

I do believe that is the way it should be, because to go to across-the-board cuts, you begin to impact then on your air traffic controllers and your safety programs and the lifesaving areas.

And you know, the act produces that discipline to keep you from coming to the point that you ever have to go across the board. That to me is the interesting thing about Gramm-Rudman-Hollings and the reason that I think it is a good move.

In terms of the local situation, as I mentioned earlier, $4.4 billion has been spent on WMATA at this point. You put together all the other systems in the United States and it is $3.9 billion. So, indeed, it has had very favorable treatment. And, as a matter of fact, Secretary Brock Adams, back when he was in office, said, "because whether it is President Carter or myself, we are talking about 1983, 1984, 1985"—this is in the area of operating assistance—"I am determined that I will not leave a mess for the Secretary of Transportation in 1985 and 1986." And he was making the same kinds of requests for a dedicated local source of funding. We have been

asking WMATA for that all these years, since Brock Adams did, and we still do not have it.

Mr. WOLF. Stark-Harris does put the Congress on record, in support of the continuation of the funding. I will take that up with Mr. Stanley. We are going to make every effort to see that adequate funding is continued. I think Congress has the right and the opportunity and frankly, the obligation to look at these budgets and reshape them.

I worked for a cabinet official, Rogers Morton, years ago. I do not have the confidence in OMB to put some figure down indicating here is where we can save. They do not look in compassion, they do not look at the impact. Frankly, it is really a nihilist approach.

Secretary DOLE. Well, let us talk about the Green Line for a minute, because there is no question that the Green Line can be built right now, with the funds that are there. It is up to the people who are making those determinations to put it first. It is the most cost-effective of the lines. It can be built now with the funds that are available.

It is the most cost-effective; it is their decision; and they can do it now.

Mr. WOLF. Well, that leads me to the next question. Can you see what you can do with releasing the money that this Committee and this Congress has appropriated for WMATA in fiscal year 1986? Mr. Stanley has held it up and I think that it is important to release that money and to allow the localities to move ahead and take advantage of the opportunity of low interest rates and things like that. If you could look into that, and get back to me, I would appreciate it.

Secretary DOLE. We will work on it.

TRANSFER OF DULLES AND WASHINGTON NATIONAL

Mr. WOLF. The second issue is the question of the airport transfer. It seems to me that with the tight budget situation we have now, this is an opportunity to transfer both National and Dulles over to a regional airport authority, whereby we can begin to build the Dulles mid-field terminal and make needed improvements at National. I want to commend you on what you have done. I do not know if you read today's paper or not, but Dulles Airport had 5 million passengers in 1985. Do you have any comments about that?

Secretary DOLE. Well, you know, I am very much in favor of moving as quickly as we can on the transfer of the airports. There have been a number of attempts since 1940 to do this, and I think that it makes very good sense in this current climate of deficit reduction and the need to cut back on Federal spending, because we simply are not going to be able to refurbish these airports and do what is needed to make them first-class airports, without a different funding base, of revenue bonds, to treat them like every other airport in the United States. We have two airports run by the Federal government. And it is an aberration. It is time to put them on a different funding base, and I appreciate your support and leadership in this area.

I think that having the Holton Commission do the work that they did was very productive, because it produced a foundation; it

brought together all the parties; all of the airlines are on board; all the users, whether it be commuters, majors and so on. And I think this has produced a coalition in support of it, that is very likely to succeed. But we need to move forward with the mid-field terminal at Dulles. We need to build parking facilities at National. Refurbish the building. Get a people mover or some connection, so people do not have to carry their luggage all the way over from Metro. You know, there are so many things that need to be done. It is not going to happen unless these airports are transferred. And there is plenty of traffic for everybody. It is really growing as you said. So, I think it is time to do it and the time is now. And we should move quickly to complete this process.

Mr. WOLF. I agree with that. Let me ask you, is there anything in the budget dealing with the FAA police or do you see the transfer dealing with that? Because they do have a morale problem. The salaries are low and——

Secretary DOLE. Right. And you may remember some time back I tried to get a 30 percent increase. We achieved only a range of 3 percent to 10 percent and it was limited to some of the lower grades and I have gotten OPM's agreement to open that issue again and look at this again, because I agree with you that something must be done on that.

That would, of course, be handled by the regional authority, once the airport was transferred to a regional authority.

Mr. WOLF. They would have the authority with regard to the wages?

Secretary DOLE. That is right. Now, this is something to consider. We have full year funding for the airports in this fiscal year 1987 budget, because we anticipate that if the airport decision is made, in this calendar year, this session, then it would take about a year with the lease and all to get everything in order. So we go one more year with Federal funding in this fiscal year 1987 budget.

RESTRICTED USE OF I–66 AND SHIRLEY HIGHWAY

Mr. WOLF. Two issues important to me are the restricted use of I–66 and Shirley Highway. We made a decision two years ago to open up the express lanes on Shirley Highway after the hours of 6:00 o'clock. And we had the support of the Department of Transportation.

Secondly, on I–66, we changed the HOV restrictions from HOV–4 to HOV–3. We also changed the morning hours of 6:30 to 9, to the hours of 7 to 9 and then in the evenings from 3:30 to 6:30 to the hours of 4 to 6.

I have been asking the state for two things. On I–66, the Metro Orange line to Vienna opens June 7, 1986, with intermediate stops in East Falls Church, West Falls Church, and Dunn Loring. I hope that you are there for the opening. Since that is going to open up in June, I am trying to get the state not to change the hours, or change the HOV–3 to 4, or do anything until the end of this year, so that we can see what the impact of the Orange line is on the use of I–66 to allow greater utilization. The road costs $265 million. To narrow those hours now and open up Metro, I think would be a mistake.

Do you have any thoughts about at least allowing the current restrictions to go until the end of the year?

Secretary DOLE. Well, we had a technical report that was prepared by JHK and Associates for the Virginia Department of Highways and Transportation, to assess the consequences of HOV-3 on I-66.

And that report recommended that HOV-3 be continued and the state then requested that I initiate action to permit the use of HOV-3, in the car pools, which I had done on an interim basis. That extension has been accomplished, and unless there is a real congestion increase, we would stay at the HOV-3 level.

The report also recommends modifying the hours and all, and I had felt that that really is a local prerogative to make the decision as to what the hours ought to be.

Mr. WOLF. So, you would have no objections, or you think that it makes sense to keep the hours the way that they are until Metro has the opportunity to run until the end of the year?

Secretary DOLE. I would think so.

Mr. WOLF. What about on Shirley Highway?

Secretary DOLE. I would have to check that one for you.

Mr. WOLF. Well, that was a one year program. What it allows now is for people to use the road after 6 o'clock. You then have both of the express lanes and Shirley Highway operating together. I think that it has been a big success. In the morning after 9 a.m., you can use the express lanes if you are an individual in a car.

Do you have any objections for us to continue—we are going to try to make that program permanent—do you have any——

Secretary DOLE. Let me just look into that and get back to you very quickly on that, because I do not have any specific comments on it today and I would like to just look at it.

Mr. WOLF. If you could, I would like to get a letter from you on both issues—one on the Shirley Highway, to say, yes, this is a great idea and let us make this permanent or at least permanent for the next several years and then we can look at it again, say, every two or three years.

And secondly, on I-66, that we keep the car pool number at HOV-3 and that we allow the existing hours to stay until at least the end of the year, whereby we can then see, does Metro have an impact or did it not have an impact?

If I could get a letter from you on both of these, I would appreciate it.

Secretary DOLE. We will look into that and be back in touch. So noted.

Mr. WOLF. I just want to thank you very much for opening the Dulles Access Road for commuter buses in the morning. That is going to make a tremendous difference for a lot of people and I want to thank you very much.

Secretary DOLE. Yes, indeed, happy to work with you on that.

PROPOSED NORTHWEST ACQUISITION OF REPUBLIC

Mr. LEHMAN. Mr. Sabo?

Mr. SABO. Thank you, Mr. Chairman.

My apologies to the Secretary for missing your statement but at times we have conflicts here.

I am curious about one issue that your Department is facing right now. That is the proposed Northwest acquisition of Republic. I am wondering what the status is and when we might expect a decision?

Secretary DOLE. The status is that comments on the NPRM were due on February 18th. And we did receive several comments from the Department of Justice, which were in the newspaper and then several labor groups and state and local government units. And, of course, no decision has yet been made on the procedures. We are looking at that right now, in terms of whether it would be a full evidentiary hearing or submitting briefs, without the full hearing.

Mr. SABO. When will that decision be made?

Secretary DOLE. I would think just very quickly.

Mr. SABO. And I expect that decision then, will determine the links and——

Secretary DOLE. That is right. So I do not have a time frame right now, but I would be happy to talk with you about that, and we should hopefully have that resolved very quickly, in the next few days. Maybe I better say, let me take a week or two, to be sure, but certainly within two weeks.

WASHINGTON METRO FUNDING

Mr. SABO. I have a couple of questions on Washington Metro and I may have some more for the record.

I understand the Department decision and really the decision of the Reagan Administration on Washington Metro is that no additional Stark-Harris funds should be appropriated to Washington Metro?

Secretary DOLE. Right, that is right.

Mr. SABO. To follow up Mr. Wolf's question on release of the 1986 funds—my understanding is that two-thirds of the 1985 funds also have not been released?

Mr. WOLF. You are exactly right.

Mr. SABO. Which gets even more difficult to follow than 1986 funds.

Mr. WOLF. If the gentleman would yield. The gentleman is exactly right. That is money that could be used now to take advantage of the low interest rates, and low inflation and everything else. So, I think the gentleman is right, we could get that quickly.

Secretary DOLE. I think that Ralph Stanley, the UMTA administrator, is negotiating a full-funding contract right now. That is with WMATA.

Mr. SABO. When would we expect that? That involves, I expect, both 1985 and 1986 funds?

Mr. KARAM. That is right. There was a meeting scheduled for the 18th of this month. And that was postponed because of——

Secretary DOLE. Carmen Turner, I think, had a problem.

Mr. KARAM. Right, Carmen Turner had a death in the family, so there has been a slight delay, but it is moving. What we are asking for, basically, in this instance as in all others, is that the funds that are available be used for connected operable segments. And

this has been a policy, a very basic policy of this program, for a number of years, and that is what these full-funding contracts accomplish.

In the process that we are undergoing, there is no intent to delay the funds unnecessarily or do anything that would keep the organization from receiving the funds, once we are assured that they will be used as the rules have required.

Mr. SABO. But just so that we are clear, the Administration's position is that no additional funds—not only in 1987, but 1988, 1989, should be appropriated. That this is not a suspension because of a temporary deficit problem, but your position is that it should be a permanent policy position?

Secretary DOLE. It is definitely a reflection of the fact, as I mentioned earlier, that $4.4 billion has been put into the system and this would complete, I believe more than the 76 miles, and we are concerned that it be connected segments, as Ray said, in terms of this full-funding contract.

But it does reflect no further funding, and when you look at——

Mr. SABO. Our authorization would cover about 89 miles, though, would it not?

Secretary DOLE. I am sorry?

Mr. SABO. Our authorization would cover about 89 miles?

Secretary DOLE. That is right, it would go up to about 89.5, I think, yes.

AMTRAK IMPACT ON DULLES AND NATIONAL

Mr. SABO. Let me ask you a question about Amtrak. I am just curious, in the unlikely event the Congress should agree with the Administration, what would be the impact on National and Dulles Airports, if on October 1, Amtrak would no longer operate?

Secretary DOLE. We find that basically, the average length of a trip on Amtrak is about 109 miles. And this would mean that rather than airports bearing the brunt, people would use cars and buses rather than——

Mr. SABO. My understanding is that travel along the Northeast Corridor that is by train in comparison to air, is a fairly high percentage. It may equal or exceed air travel, if I am not mistaken.

Secretary DOLE. About 10 percent of intercity travel on the Northeast Corridor is by Amtrak.

Mr. SABO. But D.C. I think is substantially higher, particularly if you exclude cars and look at people who use air or rail. Clearly there would be a major, major increase in the impact on the air service in the D.C. area.

Secretary DOLE. Our figures show, and I will be glad to get more specific details for you, the average trip length is 109 miles. This was in fiscal year 1985. Therefore, most of the passengers would choose bus or cars or commuter trains, rather than airplanes.

Mr. SABO. How many people come from Philadelphia or New York per day into the Washington, D.C. area by train?

Secretary DOLE. Let me get some figures for you and look at that specific Washington impact.

Mr. SABO. I think that they are fairly substantial.

Secretary DOLE. We just do not have that today.

[The information follows:]

In 1985, daily ridership into Washington, D.C. from New York and Philadelphia was approximately 2,400 passengers per day.

A key to the impact of Amtrak discontinuation on airports is what modes people would use if train service ceased. Amtrak asked that question in a major 1979 survey. The results indicated that, for Northeast Corridor passengers, about 16 percent would travel by air. If 16 percent of Union Station passengers went to National Airport (and none to Dulles), that would be an annual increase of about 370,000 passengers or 2.6 percent, not a major increase.

ELIMINATION OF TRANSIT OPERATING SUBSIDIES

Mr. SABO. You know, I sort of resolved that I would take the budget your Department and Administration had suggested at face value and we would go from there and see what modifications we make and not get too excited about this because it is not the final word.

But frankly, I started hearing some of the justifications and I wish that you would just skip them. You know, I listen to the arguments for eliminating any operating subsidy for transit, and we are told that we are going to maintain it for those transit agencies that use federal operating subsidies for 40 to 50 percent of their operating costs, but we are going to eliminate it for those that use it for 5 to 10 percent of their operating costs, because if we eliminate that 5 to 10 percent, that will produce greater efficiency.

And the logic loses me someplace.

Secretary DOLE. No. Those two things, I think, got a little bit confused.

Mr. SABO. I think that is——

Secretary DOLE. The efficiency is a matter of trying to combine the decision making with the payment of the bills, period. It just does not produce efficiencies——

Mr. SABO. Oh, I understand that, but then the recommendation is to retain it for those smaller systems.

Secretary DOLE. Because they are heavily dependent on it, but this is to try to give them time to adjust because the smaller communities get a larger portion of their money from the Federal grant.

Mr. SABO. Your logic loses me, at some point. I think clearly those smaller systems desperately need the operating assistance to keep operating. Most of them are in smaller rural communities which are not in my district, but in our state and many other rural states, and it is very important to maintain that service.

On the other hand, I find it difficult to believe that 5 to 10 percent cost creates vast inefficiences in the larger transit systems. I would much prefer if you simply said that you want to cut it off, but do not get into these rationalizations.

Secretary DOLE. Well, I think the bottom line for me is when I look at the fact that the budgets of the states and localities is less than 1 percent for mass transit at this point, it does appear that there is room for some adjustments here.

MASS TRANSIT PRIVATIZATION EFFORTS

Mr. SABO. What is ours, one-third of 1 percent?

You know, the state and local money that goes into the budget of most transit agencies is very substantial and to say that it is 1 percent of a state budget is sort of a meaningless number. It is probably meaningless to try to make a case that ours is substantially less than 1 percent. I suspect that most transit agencies would quickly settle for an equal federal and state/local percentage. It does not prove much of anything.

I just wish that you would not make your efficiency argument, because I do not think that it is valid.

But going beyond that, there is this push all the time for—I think that the word is privatization now—and the heart of it seems to be that transit operators are overpaid. And you know, I have never found a rich one.

Secretary DOLE. That is not the heart of it at all. That is one of many factors that I think that——

Mr. SABO. Well, it always comes up.

Secretary DOLE. That is the first time that I have ever said it, this morning. In three years of being in this job, it is the first time that I have ever made that comment

Mr. SABO. Well, what is the average salary of a transit operator in this country?

Secretary DOLE. I do not have that this morning, I am sorry. I would be glad to provide it for you.

[The information follows:]

The Urban Mass Transportation Administration is sponsoring research to calculate and compare the total compensation of various categories of transit labor with other public and private job categories. This is being done by the Urban Institute, a recognized authority in establishing valid total compensation comparisons among occupations.

In recently completed total compensation comparisons of public and private bus drivers with five years longevity, this research found that in 1985 public sector bus drivers in Los Angeles earned $49,777 as compared to $34,426 earned by unionized private sector bus drivers. The disparity was only slightly lower in Boston ($45,445 to $35,547), New York ($45,946 to $37,770) and Chicago ($41,852 to $34,288)—all comparing public bus drivers with unionized private drivers.

The disparity is greater still when non-union private bus drivers are compared. For example, public bus drivers in Washington, D.C. in 1985 earned $44,014 as compared to $19,418 earned by private non-union bus drivers in the same city.

TRANSPORTATION PRIVATIZATION

Mr. SABO. You know, there is a whole host of things that we do in government, and some we do directly by government and some we contract out and it is a mixed pattern. But I frankly have to express my concern when the prime motivation of privatization is simply to take a group of employees, who basically are not that well paid, they are not the affluent of this society, they are not even generally the moderately affluent of this society, and say we want to privatize because there are some people who will work for substantially less in the short term.

Secretary DOLE. Okay, I am going to have to take issue with that, because that is not the prime motivation. The Department of Transportation right now, is, I think, carrying the flag for privatization in the sale of Conrail. That is a railroad——

Mr. SABO. That is a different question.

Secretary DOLE. Okay, but when I say privatization, we are talking about what we are trying to do to transfer these airports, to

move them off the federal budget and to a much more efficient regional commission operation. We are talking about trying to get the freight railroads sold and back into the private sector after five years of profitability.

Mr. SABO. That is a legitimate issue and we have differences over who it should be sold to and for how much.

Secretary DOLE. And I think that it would be good if we could talk about that a little bit this morning, at some point. But basically, when you say the prime motive is what you just mentioned, I certainly have never said that and we are talking transportation privatization this morning, so I just have to say that that is not a fact where this Secretary is concerned.

Mr. SABO. Maybe I misheard but I thought that I heard references to differences of salaries of operators.

Secretary DOLE. You heard a sentence among many others about some of the things that have occurred over the years, one of them being that we do have, now, salaries that are 50 to 100 times more in the public sector than in the private sector. That is what I said.

Mr. SABO. Fifty to 100 times?

Secretary DOLE. Percent, I am sorry.

Mr. SABO. It would be interesting to know what those salaries are on average a week——

Secretary DOLE. We will be glad to get that.

Mr. SABO [continuing]. That the Administration thinks is too high.

Secretary DOLE. But I do want to make clear that that is not mentioned as a prime motivation for privatization.

It is just a number of things that are worth looking at.

[The information follows:]

Based on the Urban Institute study findings which I referred to earlier, the average weekly salaries for public bus drivers ranged from $805 in Chicago to $957 in Los Angeles. For private bus drivers, the range was $373 for non-union drivers in D.C. to $726 for union drivers in New York.

PHASING DOWN FEDERAL TRANSIT ASSISTANCE

Mr. SABO. You know, our transportation systems are really a complex web of both public and private, but I know in our community we ended up with public transit back in the 1970's because there was a private system that simply could not operate the system. Service was disappearing, assets were disappearing and if we wanted to maintain the transit system, our only option was to go public.

And that passed in the days of a fairly heavily Republican controlled legislature in our state in the 1970's, because that was the judgment of our only method of maintaining a viable public transit system. I think that we have a good one and now, all of a sudden, the thrust is to go back to what failed ten or twelve years ago.

Secretary DOLE. No. I think that it is a matter of intelligent people discussing problems that have arisen and how to address them. For example, when you do have, with regard to overcapitalization, 70 percent more buses than you need at peak period, there is something a little wrong with the incentives there. We need to work together to look at some realistic solutions.

Mr. SABO. No quarrel that you constantly have to look at how you manage those systems. That is never easy.

Secretary DOLE. Right.

Mr. SABO. But let us not just quickly go to another concept for the sake of going to it.

Secretary DOLE. But you know, I have, in the years that I have been in this job, tried to encourage phased down operating assistance. I have, at times, made that argument internally. Rather than zeroing out, why do we not do it over a 5-year period, a phase-down, and I do not get any response on that. So we reach a point, after five or six years of raising the issue, where I guess we are at this kind of stage. We have tried to raise these points in the past and provide some leadership towards moving to a phase-down instead of a cutoff. Now, we are looking at massive deficits and we are looking at the need to come to grips with a lot of things this year, and it is not going to be easy, but we cannot continue to do everything that we have been doing. That is where we are.

Mr. SABO. Well, I suspect that the basic quarrel that we all have within the Congress and the Congress will have with the Administration is how we get to deficit reduction.

I think it is quite clear that in the Congress, both House and Senate, we are likely to take a substantially different track and a very difficult fashion to——

Secretary DOLE. But the Congress has certainly, through Gramm-Rudman-Hollings, said, all right, we are going to bring these deficits to $144 billion next year and we do not want to go to across-the-board cuts. We want to try to do it through the discipline that we impose here in this system. I think that is going to produce the prioritizations and the efforts to really hit the bottom line on some of these things.

Mr. SABO. Our challenge is going to be substantial and apparently complicated by an underestimate of defense outlays by $15 billion, which is not your responsibility. But clearly we have to try and get there.

In my judgment, Gramm-Rudman-Hollings set a philosophy up of how we get there. If we do not want to use revenues and that is—I think Mr. Mrazek talked about it earlier—clearly the policy decision of Gramm-Rudman-Hollings that 50 percent of the cuts would be defense and 50 percent non-defense. Not necessarily across the board, but I think that parameter is there, and I expect that is the direction we have to go in and hopefully we will be able to make some modifications in this budget.

Thank you.

Secretary DOLE. Thank you.

Mr. LEHMAN. Thank you, Mr. Sabo.

Mr. Carr?

Mr. CARR. I will yield to Mr. Durbin, if that is acceptable?

Mr. LEHMAN. Certainly.

TRANSPORTATION BUDGET IMPACT ON ILLINOIS

Mr. DURBIN. Thank you very much.

Thank you very much, Madam Secretary. I apologize for being a few minutes late this morning.

I see in your opening statement that you have told us that you think that this 1987 proposed budget provides a vision for the future. I would like to ask about your vision for the future for my state of Illinois, and particularly down-state central and western Illinois.

We have a new Secretary of Transportation in Illinois who is a professional. He met with me recently and indicated that if your budget is passed, it will have a dramatic negative impact on highway construction and modernization in downstate Illinois. As I looked at the figures, I can see why he has that concern. If I understand your budget figures correctly, you have included $500 million for a combined interstate transfer transit and highway program. This represents a reduction of $400 million or 45 percent over this year's funding.

Secretary DOLE. That is with a stretch-out from 1993 to 1998. So that there would be a longer period of time for those transfer projects to be completed, but the same total.

Mr. DURBIN. But in the final analysis, the amount of money available to the mass transit districts and to the Secretary of Transportation in Illinois is going to be dramatically reduced.

Secretary DOLE. Well, let's talk about the overall picture there, because it depends on knowing what the priorities are going to be. For example, the fact that interstate and primary funds are combined, provides flexibility for the state to determine, all right, here is an area that we want to focus on and they can use all those funds for that area. Suppose that it is interstate, and only 3 percent——

Mr. DURBIN. Excuse me, but you are talking about some flexibility but with a much smaller amount of money.

Secretary DOLE. I am talking about $2 billion less in interstate construction. Only 3 percent of the interstate is not completed at this point, that is 1,300 miles, so that this does cut back significantly in that area. And, it means that a longer period of time is needed for completion, up to 1998. Whereas we had earlier, targeted the early 1990's for the completion of the interstate, it is basically completed. A lot of the gaps have already been started and I think there is incentive there for states to go ahead and complete those gaps because there is 90 percent Federal participation.

But you see, if you wanted to—let us say that if Illinois had some gaps and their top priority was to complete the interstate—they could use all the funding available for primaries, they could reach down into the block grant and use funding available there, and put it all into the interstate or however they wanted to do it. And it would not count against contributions to interstate for Illinois for the next year. There is a lot of flexibility.

Mr. DURBIN. My concern is that you may have a great deal of flexibility but very little money. It is great to have the flexibility, but when you consider that a state like Illinois traded in their interstate funds with the idea that there would be some transfer back to them, what you are doing is saying that the federal government is going to walk away from that commitment.

Secretary DOLE. No. There will be a longer period of time. In other words, the early 1990's to 1998, but no change in the total dollars.

Mr. DURBIN. I wish that I could say that in our climate in Illinois we had all the time in the world for our highways to be repaired and for us to pay attention to those local transportation needs.

Secretary DOLE. But again, the $2 billion that was reduced is from interstate construction, and there is only 3 percent in the entire United States that is not complete and that is 1,300 miles grand total. And I think that Ray would like to make some comments on that.

Mr. KARAM. Just on the interstate withdrawal, sir.

The equivalent cost of the sections that have been withdrawn will be paid out, as the Secretary said, but over a longer period of time. To the question of whether you are going to get less money because of that stretchout, inflation, by statute, is not figured into these withdrawals, so that it is constant dollars.

Mr. DURBIN. That is a penalty, is it not, to states like Illinois that decided to trade-in their interstate funds for other priority transportation projects?

Mr. KARAM. It could be a penalty, yes, but it occurs by statute.

Mr. DURBIN. It certainly is a penalty. In the state of Illinois, for example, the allocation of interstate transfer funds would decrease under your budget, this year, from $245 million to $81 million. Now, all the flexibility in the world is not going to make up for the $164 million it does not receive.

I think that there are some real concerns here as to whether or not this vision for the future for Illinois, means a lot of bad roads and failure to really respond to an economic need in our area. I just suggest to you, we have a difficult job meeting some Gramm-Rudman-Hollings targets. But once the President has set a priority to have an extraordinary increase in military spending, and take it out of programs like transportation, we suffer.

Secretary DOLE. I would like to take your Illinois situation, in particular, and provide something for the record, for you, that addresses your particular concerns.

Mr. DURBIN. Fine. I would appreciate that.

[The information follows:]

For fiscal year (FY) 1986 after taking into account the reductions required by the Gramm-Rudman-Hollings Act the State of Illinois was apportioned $460,595,000 in Federal-aid highway funds. Under the Administration's proposal (H.R. 4144) it is estimated Illinois will receive $428,271,000 in Federal-aid highway funds for FY 1987. This is a decrease of $32,325,000 or 7.0 percent as compared to the national average decrease of 13.2 percent in total program level for FY 1987.

PROPOSED SALE OF CONRAIL

Mr. DURBIN. Let me move to another subject and one that is important in central Illinois and that is the Conrail sale.

I guess our original concern was on three levels. First, the loss of jobs. We cannot stand to have that happen in my part of the country.

Secretary DOLE. You are going to lose less with the Norfolk-Southern than you will with any other proposal that is on the table.

Mr. DURBIN. I sincerely wish the Norfolk-Southern representatives would be forthcoming and clear in their statements, but at this point, they have not been.

Secretary DOLE. Maybe we can help to facilitate that.

Mr. DURBIN. Well, I would like to see that, and I would like to see some straight language from them. We are not very happy about their talk about attrition, and that it will not hurt too much.

Secondly, the loss of competition in our area is one of great concern to us. The final thing, is that as I look at the budget deficit and how we address it, I really believe that the Norfolk-Southern proposal is a bargain-basement price for Conrail. I would like to ask you a hypothetical question.

They have offered $1.2 billion and there are some that say that the Morgan-Stanley proposal would offer more. Is it your position, Madam Secretary, that there is absolutely no purchase price from any other bidder that you would consider better for the taxpayers of America?

Let us say a bidder came in and said we will pay $2 billion for Conrail because they had such a good year, would you still stick with Norfolk-Southern?

Secretary DOLE. Oh, a bidder just came in and said, I will give you $1.8 billion, and the papers headlined it.

Mr. DURBIN. What do you think about that idea?

Secretary DOLE. I think that it is a lousy idea, and let me tell you why.

First of all, it takes $231 million out of the company to pay labor. It requires a $300 million line of credit which is working against Conrail in terms of something I am concerned about, the financial strength of this railroad, and that is the most important thing those employees should be focusing on, too, and something that you and I are both concerned about. Is there going to be a strong, healthy railroad in the future or not?

Mr. DURBIN. I agree with that.

Secretary DOLE. Now, that is the first consideration, not just the nominal value. You look at this $1.8 billion and you see that it is going to be leveraged against Conrail in the sense that there has to be a $300 million line of credit. There is $230 million that is going to be pulled out to pay labor, whereas Norfolk-Southern pays labor from its own funds. The new bidders have not agreed to the protective covenants that I have spent months building into the contract. They say they will, but they will not tell us which ones or what; it is not nailed down at all.

And the financial strength of this railroad depends on these covenants, which are the heart of the deal because they require, for example, $500 million going into capital every year, in that railroad. You cannot issue dividends unless you have $500 million left after dividends. Only 40 percent of your net earnings can go to dividends. You cannot defer maintenance. Those are not the kinds of things that would have given us more money in the Treasury, but they are darn important to the financial strength of the railroad. But most important in this $1.8 billion deal, is the fact that it would require the largest industrial public stock offering in the history of the United States.

Early on, when Goldman Sachs, our investment adviser, looked at that kind of public offering, they said, chances are that you cannot do that in one offering, one tranch as they call it. It would

be two or three, which could be over many months or even years. Who bears the risk in that situation? We do, the government.

We end up being a minority stock holder, and you end up with whatever happens in the market, whatever happens with Conrail's future, we bear the risk.

ACCEPTANCE OF OTHER OFFERS ON CONRAIL

Mr. DURBIN. Are you saying, Madam Secretary, that you are not open to better offers on Conrail?

Secretary DOLE. We had a bid process over many, many, many months and as a result of that—in fact, we first of all, went out and aggressively marketed the railroad. You see, I have been working with this for three years now, three years, and Goldman Sachs was there 10 months before I came to the Department. And so it is four years now of doing what the Congress directed in 1981 in NERSA, which is to prepare a plan to return Conrail to the private sector. We went out and we aggressively marketed the railroad and we talked to 110 corporations, non-rail and rail, and we came up with 15 bidders. I did not know if we would even have one when we started out, but we ended up with 15.

Then we narrowed it to 6; narrowed it to 3.

Then we sent it—before I chose Norfolk-Southern—to the Justice Department to look very, very carefully at whether there would be any anti-competitive aspects. I did not have to do that but I wanted to do it, before I chose Norfolk-Southern to be sure. We went through this entire process and all of this time the employees have not been certain what their future is; there has been a lot of uncertainty.

All right, after the bid process was closed and Norfolk-Southern was selected, finally, many, many, many months later, Morgan Stanley comes in and wants us to look at their bid. The Morgan Stanley bid is on the table. Now, Allen and Company, which was an original bidder, has come back. We are not sure what this says about the fairness to the other bidders who are in the process, but Allen and Company is on the table. So, fine, look at them, but look carefully, very carefully. What they do is to eat into the financial strength of a railroad that is marginal at best, marginally profitable at best out through the 1990's. My only concern here is the public interest. I am not out chasing dollars. And I am interested in the public interest and the employees' jobs.

Mr. DURBIN. Madam Secretary, we share that concern about public interest, but what it also suggests is that this is a sweetheart deal for Norfolk-Southern.

Secretary DOLE. It is not. It is not a sweetheart deal.

Mr. DURBIN. When you look at the profits that Conrail is generating, there are many other investors who believe that the federal taxpayers are entitled to more money and that they can still make a profit running this railroad.

Secretary DOLE. I would love to talk with you in detail about this because the last on earth that this is, is a sweetheart deal. And we would like to take time to go into that now, I would be very happy if you wanted to, Mr. Chairman.

Mr. DURBIN. Well, I would be happy to discuss it, but I have limited time. Maybe we will have that opportunity later.

Secretary DOLE. Okay, but I would like the record to reflect that the many months spent on this certainly did not produce a sweetheart deal.

Mr. LEHMAN. We will be addressing this issue later in the questions so you will have a chance then to make whatever explanations that you would like.

Secretary DOLE. Yes. And one statement in closing though—the $1.2 billion cash on the barrelhead offered by Norfolk-Southern could have been in the Treasury already for many months, producing interest all of these months. That would be available the day of closing. Now, also, as I mentioned, the covenants reflect a great deal of money that we could have had in additional cash, but for wanting to produce strength for the system for the future. There is also $2.1 billion in investment tax credits and net operating losses that would be surrendered by Conrail. In other words, Norfolk-Southern would not utilize those, and that agreement is of real value to the Treasury. Also, any cash balance in Conrail over a certain level on the date of sale goes to the Treasury.

So, it has been a long process and I think a very thorough one and I would really appreciate an opportunity to talk with you about it in detail.

Mr. DURBIN. I would like that.

Secretary DOLE. Great.

ALTERNATIVE FUNDING FOR AMTRAK

Mr. DURBIN. If I could move to two or three other topics very briefly?

Secretary DOLE. Surely.

Mr. DURBIN. During last year's testimony about Amtrak we had basically the same proposal before us, that the federal government would withdraw its subsidy to Amtrak. The suggestion was made by several witnesses from your Department and other agencies, that the state and local governments would pick up Amtrak. There has been no sentiment expressed that the State of Illinois level, or by any unit of government at they are prepared to take over Amtrak. Again, we hear those same words this year. Do you have some indication to the contrary?

Has Governor Thompson of Illinois said that he will take over Amtrak?

Secretary DOLE. No one was willing to give the first serious discussion to it last year, because they were not taking the proposal seriously. Until there is a recognition that the Federal government cannot continue doing this, then and then only can we sit down and have some serious discussions as to what is needed.

But there are alternative ways, and we would be very happy to facilitate that process. I have directed John Riley, as I mentioned earlier, to talk with Graham Claytor in detail about every possibility for management savings and for revenue production and so on. The same would be true with labor in terms of where they might be willing to make some sacrifice here. For states and localities, we are going to meet with all of the governors and all the states to

talk about it. There is some option on the Northeast Corridor for example, for Conrail to pay more of its fair share for use of the Northeast Corridor. Which, by the way, Norfolk-Southern has said that they will be glad to accept.

Mr. DURBIN. Amtrak service in central and western Illinois, Quincy and Springfield, is absolutely essential. There is no sentiment from the Thompson Administration that they want to get into the Amtrak business. They already provide some subsidy at the state level, but I think it is unfortunate to suggest that the State of Illinois is prepared to undertake a set expenditure of money and provide this Amtrak service. It is not there, Madam Secretary.

Secretary DOLE. I think that overall there is a collective surplus at the state level, which there is not at the federal level. If we are going to get the deficits down, I think that we have got to look at federal spending in areas such as Amtrak, where less than 1 percent of intercity travel is involved.

INCREASED COSTS OF CARGO PREFERENCE

Mr. DURBIN. Let me ask you quickly on the question of cargo preference. I am concerned because the farm bill that we recently passed, provides for a greater use of U.S. flag vessels for certain shipments overseas. The additional cost for this increased use of cargo preference is to be borne by the Department of Transportation.

Yet, in your budget, we find no commitment on your part to undertake this. Rather, you want to shift this to commercial credit programs.

The final analysis suggests to me that my farmers, who are already up against it in the Midwest are going to find fewer opportunities to ship overseas and export their products, at a time when they need it the worst, because of the refusal of the Secretary, the Cabinet, the Administration to make this commitment to follow the 1985 Farm Bill.

Secretary DOLE. We will be proposing legislation.

Mr. DURBIN. And what if it does not pass?

Secretary DOLE. Well, I will just have to ask the Congress, please pass it.

Mr. DURBIN. Well, I would suggest that while I was opposed to the original legislation increasing the cargo preference requirements, I think you are playing a game. I think that you are backing the farmers into a corner in a situation where the exports are absolutely essential, by suggesting that there might be legislation passed. They need some kind of assurance in their future.

Secretary DOLE. We are preparing the legislation now, so that we are committed to trying to change that.

MINIMUM DRINKING AGE

Mr. DURBIN. I think that the commitment has to go beyond hoping that legislation passes.

Can I ask you whether the Surface Transportation Act is going to include any extension of the minimum drinking age of 21?

Secretary DOLE. Not in the reauthorization legislation, no. In fact, that is already on the Hill.

Mr. DURBIN. Are you prepared to support that?

Secretary DOLE. Yes. I have already supported it publicly.

Mr. DURBIN. Would you support a permanent national drinking age of 21?

Secretary DOLE. Well, the states have already, we have 37 states now who have passed the law, so that I prefer to have the states do it.

Mr. DURBIN. Well, we have a situation in Illinois where a bordering state, for example, Wisconsin, will not pass a minimum drinking age of 21. They are going to wait until Congressional action of several years ago, expires. What it means is that——

Secretary DOLE. Well, I think that Congress has an opportunity to take some action that would rectify that situation.

Mr. DURBIN. Would you support the bill I introduced with Congressman Howard calling for a permanent uniform national drinking age of 21?

Secretary DOLE. The Lautenberg bill is the one that I would support.

Mr. DURBIN. It is the same bill. You would support that?

Secretary DOLE. I have already spoken for it, yes.

NATIONAL TRUCK DRIVER'S LICENSE

Mr. DURBIN. Thank you. We could use your help.

How about a national driver's license for the trucking industry, are you supportive of that approach?

Secretary DOLE. We have just taken a number of very important initiatives with regard to trucking safety and one of them is certainly to work on eliminating multiple licenses and provide licenses for specific classifications of vehicles. In fact, some states have a situation where I can go in with a driver's license for an automobile and drive off in a tractor-trailer, which is outrageous.

So, we are working very hard with a number of states to do that—to encourage a single classified license.

We do not believe the federal government should take on the responsibility of licensing the truck drivers, so I want to see if we cannot work it the way we have just announced and let me send you all the initiatives that we are pursuing which, I think, show some real possibility for correcting the problem.

Mr. DURBIN. Thank you very much, Madam Secretary.

Mr. LEHMAN. Mr. Conte?

COAST GUARD USER FEES

Mr. CONTE. Thank you, Mr. Chairman.

I want to join my colleagues in extending a very warm welcome to Secretary Dole this morning. In my opinion, Secretary Dole is one of the brightest stars in the President's cabinet. And I know that we all appreciate her efforts in support of this nation's transportation system at a time of very severe budgetary pressures.

Madam Secretary, I want you to know that although we will inevitably have differences with you on budget priorities, I look forward to working with you in resolving those differences, and work-

ing with you on those things that we can agree on. Last year, we began efforts to implement a Coast Guard user fee so that the direct beneficiaries of certain Coast Guard services would contribute a portion of the cost of providing those services.

Do you continue to support the implementation of such a user fee, and will you continue to press for its adoption?

Secretary DOLE. Yes, indeed. As a matter of fact, in the fiscal year 1987 budget, we are looking to about $238 million in user fees and going to about $476 million a year after that.

Now, I do think that that is a very important path to follow and my budget, as you know, has got 68 to 69 percent user fees now and this, plus a couple of other areas that we would propose, would take us to 84 percent user fees in 1987. I think that it is very appropriate that particular services, the Regatta Patrols, or certification of merchant seamen or vessel and facility inspection, that that be paid for by those who are utilizing the service.

USE OF BLOCK GRANT FUNDS FOR RAIL SERVICE

Mr. CONTE. Even more than that, I think that yachts and boats using Coast Guard jurisdictional waters should pay a little fee of $25 a year or so, for all that insurance that they are getting from the Coast Guard. They get tremendous service from helicopters and jets, from search and rescue operations, towing, and navigation aids. Then there are those drawbridges. You get down to Florida and you have to wait in line there for an hour, waiting for some guy with a yacht to go through. When the drawbridge is up, they ought to pay a little money in order to take care of the Coast Guard, which is really hurting right now. They are hurting.

Secretary Dole, one of the areas where we will have to disagree will be on Amtrak and in the transit field. Last year on my constituent poll, over two-thirds of those responding opposed the elimination of Amtrak funding. Rail passenger service is, I think, simply too important, to let die, especially at a time when Amtrak performance is improving and costs are declining. So much need for transit service continues unabated. Looking at your proposal in the block grant program to combine certain road and transit programs, would it not make sense to permit the states and the localities to use the block grant funds for rail service as well, since the border between commuter transit and intercity rail is often a very fuzzy one, especially in the northeast?

Secretary DOLE. Well, basically the programs combined in the highway and the transit block grant are those that have been funded by user fees from the Highway Trust Fund. And we propose to limit annual funding for highway and transit programs to the user fees collected. Highway Trust Fund receipts come from highway users, of course, not from the railroad users, and the local rail service assistance funding, of course, was originally designed to address the problem of abandonments, which basically has been resolved. It is more a state and local responsibility anyway, I believe, Congressman Conte, that for the midwest and the northeast railroads certainly many of their problems have been resolved through the Staggers Act, and also through the tax changes.

So, I think that this is something now that really is more a state and local matter. Once again, we are on that subject, but I do not see it as a fit with the user fees coming out of the Highway Trust Fund.

Mr. CONTE. What I am really talking about, though, is support for Amtrak and not freight service.

Secretary DOLE. I am sorry, support for Amtrak?

Mr. CONTE. Yes, supporting Amtrak out of those.

Secretary DOLE. But that is basically user-fee supported. Highway user fees support that block grant.

I come back to Amtrak. It is just hard to justify going for it as we have, when it is less than 1 percent of intercity travel. That is the difficulty. You are subsidizing an average of $33 every time a person gets on the train. When you look back at the original intent, it was a two-year, for-profit experiment. And it has cost us $12 billion to this point.

Also, we find using their figures, their survey results, that of the people who ride the system, I believe that it is 66 percent are over $20,000 income and one-third are over $40,000. And a lot of the traffic is vacation travel apparently.

Mr. CONTE. Well, I happen to be real gung-ho on Amtrak. I have been from the beginning, and I do not have to apologize for it. When you say you subsidize a person on Amtrak $33 a ticket, there is about the same subsidization for air travel once you include the cost of air traffic control.

Secretary DOLE. I have to disagree with you on that one. That is a business subsidy, business deduction. You see on the airlines——

Mr. CONTE. And business deductions and all of those things.

Secretary DOLE. The business deductions that you are referring to on the airlines go to the company, whose employees are traveling on the airlines. That does not go to the airlines. It is not a subsidy to the airlines. It is a business deduction to the traveler's corporation. The same thing is applicable to——

Mr. CONTE. How about the Air Traffic Controllers?

Secretary DOLE. The same thing is applicable to Amtrak except that they just do not have a lot of business travelers, apparently. It is more vacation.

Mr. CONTE. Did you ask OMB for any money for Amtrak?

Secretary DOLE. Yes, I did, prior to Gramm-Rudman-Hollings.

Mr. CONTE. Prior to Gramm-Rudman-Hollings?

Secretary DOLE. Yes, prior to the directions from the Congress.

DEFENSE FUNDS FOR COAST GUARD

Mr. CONTE. Not with my help, I will tell you that.

I was one of the 12 members that brought suit against it. When Gramm-Rudman passed, that was a dark day in this Congress.

Secretary Dole, I know that you are aware of our success last year in getting $100 million in Navy funds to support the Coast Guard's operating expenses. The Administration supported those funds in our conference with the Senate. Since then, however, I understand the Navy has been taking an overly restrictive view of the use of those funds.

Can you tell me what the Department of Transportation is doing to ensure that those funds go to the Coast Guard in the amounts and for the purpose intended by the Congress?

Secretary DOLE. I think we will need to provide that for the record.

Mr. CONTE. We are not going to have to go to war with the Navy?

Secretary DOLE. Let us hope not.

[The information follows:]

The Coast Guard is in close coordination with the Navy concerning these funds. There have been numerous meetings, and a Memorandum of Understanding has been signed to provide for the mechanism for the actual reimbursement of these funds to the Coast Guard.

The funds have not yet been released by Office of the Secretary of Defense because the Navy is concerned that the funds were appropriated but not authorized. This matter is being further researched at this time and a timely release of these funds is still expected.

Meanwhile, the Coast Guard is spending funds as intended for their defense and military readiness missions using temporary internal reallocation of funds in anticipation of reimbursement by the Navy.

COAST GUARD PROCUREMENT FUNDS

Mr. CONTE. Last year, the Coast Guard ended up with $217 million appropriated for procurement, plus another $375 million for coastal defense augmentation. That also was put in the defense bill by my good friend, Ted Stevens, and me. For fiscal year 1987, you are proposing only $77 million for the Coast Guard's procurement account. Would you explain how this squares with the Administration's intention to intensify the drug interdiction program?

Secretary DOLE. Yes. And I am going to ask Ray to go into the details here. But we are seeking a reprogramming of $190 million there of the funds, the defense funds, for procurement.

And, Ray, why do you not go into the details of that?

Mr. KARAM. Well, the basic question, is do we have enough money to continue our drug interdiction efforts? The answer is, absolutely yes. There are a great many things that are going on in the drug business——

Mr. CONTE. To intensify the drug interdiction effort.

Mr. KARAM. We are doing that continuously. We have more aerostat balloons, for example. We are getting more C-130's. And we are getting the new cutters on line, the 110-foot patrol cutters. For 1987, what the budget requests is about $77 million in the DOT budget, for those aspects of the Coast Guard's activities that are not attributable or really should not be attributed to national defense.

For the remainder of the money that we would need for 1987, we are asking reprogramming of $190 million from the defense budget, that was appropriated in 1986, to be deferred into 1987. That would then leave us with $267 million for 1987, which is adequate to cover capital investment for that year. And in 1986, it would leave us with $375 million, which is more than we requested in the first instance. So, what needs to be done is to have the Congress approve a reprogramming of some of these 1986 funds that were appropriated to the Coast Guard in the DOD account, in the defense account.

Secretary DOLE. And as Ray says, these new facilities, for example, the patrol boats, will be coming on stream the last quarter of this fiscal year.

And the C-130's, the first quarter of the next year, and then the aerostats would be a year from this summer. And no question this gives us what we need to make a real impact. There has been a noticeable effect through Coast Guard's activities in the drug interdiction area. I think that there has been a real shift in the tactics that are being used in bringing drugs into this country, as a result of the special operations that the Coast Guard, with other departments of government, have been running down in the Caribbean.

I would also say that you would never completely eradicate the problem with this one area of operation. You know, it is a matter of working at it from many different angles. I think that the funds are being effectively used and it has had a noticeable impact. No question.

Mr. CONTE. Well, I hope when that reprogramming comes up, you will let me know, so that I can birddog it. One way or another, we need to make sure that we get the Coast Guard's funding squared away.

Secretary DOLE. Great.

Mr. CONTE. The Coast Guard went through hell last year, and if we had not put that money in that defense bill, they would have been cut 25 percent in all of their operations. You know, Congress keeps giving them more and more missions, but will not give them the funds to perform those missions.

They have been a step-child for Conrail too damn long.

Secretary Dole, congratulations certainly are in order for your success in moving Conrail sale legislation through the Senate. My understanding is that the House will not be considering such legislation until after certain studies have been completed by the Department of Justice and the U.S. Railway Association on the effect of the proposed sale on traffic diversion and competition in the rail industry. Do you know what the status is of those studies, and how soon we may see them, especially the one from the Department of Justice?

[The information follows:]

Both the Department of Justice [DOJ] and the United States Railway Association (USRA) are currently working on divestiture studies. The DOJ entered in a contract with a consultant to provide expert analytical services relating to the divestitures. The consultant is expected to have a final report no later than mid-April, provided that all necessary documents have been received from Norfolk Southern, Guilford Transportation Industries [GTI] and Pittsburgh and Lake Erie [P&LE]. We anticipate a DOJ response shortly thereafter. USRA's divestiture study should be completed by mid-April. It should also be noted that Lazard Freres & Co. is doing some work on the financial aspects of the Conrail sale at the direction of Congressman Dingell. Lazard Freres & Co. is anticipated to complete its study about mid-April.

Mr. CONTE. Following up on the Conrail sale, in the 1985 appropriations bill, funds were contained under the Federal Railroad Administration's Section 505, redeemable preference share program to strengthen a number of regional railroads in the northeast.

These funds are needed in order to help ensure that any Conrail sale results in a regional system that will be effective and competitive.

Would you agree that improving connections between these regional railroads and any Conrail Norfolk-Southern combination is important for the economy of the region?

[The information follows:]

Yes, that is precisely why I am so encouraged by Norfolk-Southern's agreeing to reopen numerous gateways and joint routes closed during Conrail's mass route cancellations in 1981, and its divestiture agreement, that collectively will significantly strengthen the regional railroads.

TRANSPORTATION SYSTEMS CENTER

Mr. CONTE. The budget calls for the defederalization of the Transportation Systems Center in Cambridge.

Since TSC does not receive any independent appropriations, but performs research on a contract basis, for the various parts of DOT, do you have any hard data to show that defederalization would actually save the government money?

[The information follows:]

The Department has not developed any "hard data" that could prove or disprove that defederalization of TSC would result in any cost savings. The proposed defederalization of TSC is not based primarily on cost criteria. TSC's function (providing research, analysis and systems engineering in support of nationally significant transportation related initiatives and acquisitions) and TSC's activities (based on requirements which vary from project-to-project) are not conducive to meaningful hard cost comparisons.

TSC already operates using privatization concepts that are often associated with cost saving potential, such as charging users for the cost of service provided and relying on commercially available producers to the extent practicable. During FY 1985, record high TSC user demand was met by TSC through contracting out nearly two-thirds of its budget to accomplish several activities in support of its technical projects. Therefore, the defederalization of TSC is not anticipated to result in a substantial cost variance one way or the other.

FAA STAFFING

Mr. CONTE. Secretary Dole, many of us were pleased when you announced last year, your intention to hire additional air traffic controllers and air safety inspectors, in order to improve air safety in this country.

There seems to be some confusion about how many of such personnel can be hired with the funds available.

Could you tell us how many additional air safety personnel will be hired, during fiscal year 1986; what the staffing levels for air traffic controllers and for air safety inspectors will be by the end of fiscal year 1986; and what levels of such personnel can be supported under the 1987 budget that you have proposed?

[The information follows:]

The FAA's FY 1986 end of year on board employment goal for air carrier and general aviation inspectors is a minimum of 1,690. To the maximum extent possible, additional employees will also be added to the workforce to comply with the Congress' FY 1986 direction. One hundred and thirty-eight (138) additional air carrier and general aviation inspector positions are requested for FY 1987, with an FY 1987 end of year on board employment goal of a minimum 1,825.

For the controller workforce, FAA is adding at least 480 employees to the rolls in FY 1986 to reach a 14,480 on board employment by the end of the year. Additional controller positions are requested in FY 1987 for an end of year employment goal of 15,000.

WASHINGTON METRO

Mr. CONTE. Secretary Dole, I met yesterday with Carmen Turner of Washington Metro to discuss her efforts to have the 1985 and 1986 funds released.

After reviewing the correspondence back and forth, it appears that Metro has received a run-around from the Department, with additional studies and plans being requested every few months.

Can you lock in for me exactly what Metro needs in order to get its 1985 and 1986 funding, and commit a time period for the review of Metro's submission once those requirements are met?

[The information follows:]

WMATA has not been "given the run-around" in its efforts to gain the release of fiscal year 1985 and 1986 funds. I am unaware of any requirements being imposed upon them to submit "additional studies and plans" with respect to the release of the funds in question. There has been an ongoing effort to negotiate a full funding agreement with WMATA establishing the terms and conditions under which the balance of the Stark-Harris authorization would be obligated. Perhaps it is this activity that has been interpreted as a "run-around". The focus of those discussions changed when the President's FY 1987 budget request for WMATA construction was made known. The Department still plans to enter into a full funding contract with WMATA which will govern existing budget authority.

I would like to insert for the record a copy of a letter from UMTA Administrator Ralph Stanley dated February 5, 1986 to the chairman of the WMATA board. The letter outlines the principles governing the release of the fiscal year 1985 and 1986 funds. A conceptual agreement governed essentially by Mr. Stanley's letter has been reached. Additional meetings will take place to address the particulars of grant release. It is not practical to commit to a time schedule dealing with a negotiation process since the time to complete a negotiation depends to a great degree upon the timely performance and willingness of another party. However, I assure you that any submissions from WMATA regarding these negotiations will receive expeditious review.

U.S. Department of Transportation
Urban Mass Transportation Administration

The Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

FEB 5 1986

Mr. Cleatus E. Barnett
Chairman
Board of Directors
Washington Metropolitan Area
Transportation Authority
600 Fifth Street, N.W.
Washington D.C. 20001

Dear Mr. Barnett:

Secretary Dole has asked me to respond to letters addressed to the Department by you and other WMATA officials concerning the zero funding level recommended in the President's Fiscal Year 1987 budget request for Metrorail construction. In doing so, I will expand on three fundamental issues I discussed at the December 19 Airlie Conference as well as one crucial issue raised in your January 9 letter to President Reagan.

These fundamental issues are: 1) the need for WMATA rail construction to be in segments that are connected to one another; 2) the need for a dedicated local funding source to pay additional construction costs and the ultimate operating deficits for both the rail and bus systems; 3) the truth about actual financing for the longstanding "Federal, State, and local commitment to build" the Metrorail System; and 4) the current delays in construction of the inner Green Line, which was the principle concern expressed in your letter to the President. None of these issues are new to you or the WMATA Board. Indeed, most of them have been repeatedly raised with your Board for more than a decade by the last five Secretaries of Transportation, the last five UMTA Administrators, two of whom also served as General Managers at WMATA, and the last five Congresses. I will address them in detail below.

Operable Segments

I stressed at the December 19 meeting that no UMTA Administrator can approve grants for elements of a construction project which do not stand alone as useable facilities unless there are other funds available to bring them on line. Allow me to put that in simpler terms; you cannot begin something which you do not have the money to finish. This is the problem I have when considering WMATA's current proposed rail construction program, and judging from the reaction of WMATA officials and the Washington press in understanding this principle, perhaps this should be made more clear.

First, this requirement has been set forth by the Department and recognized by WMATA officials for a number of years. In 1976, UMTA Administrator Patricelli told Congress that "we only permit their building a segment at a time." In 1978, former Secretary Adams stated that "the segments to be built should be useable and contiguous and should emphasize the highest areas of ridership." Before the House Appropriations Committee in 1979, former General Manager Lutz, in response to a question by Congressman Duncan, indicated that it was WMATA's "basic view...to try and get operable segments constructed."

When we commenced negotiations for a full funding contract for an 89-mile system to utilize the remaining Stark-Harris authorization, I withheld approval of the Fiscal Year 1985 grant program in the thought that it would be folded into the full funding contract. I sincerely believed this would be achieved in calendar year 1985, but it was not. The 1985 program alone does not sufficiently advance work on construction elements approved in earlier grants so as to make them operable. This deficiency would have been rectified in the framework of a full funding contract utilizing all of the remaining Stark-Harris authorization. The Gramm-Rudman-Hollings Act was then enacted and affected Fiscal Year 1987 funding deliberations. Your Board reacted by suggesting no further possibility of full funding contract negotiations. However, the full funding contract format will still be used and remains the standard UMTA management approach for major construction projects <u>regardless</u> of how much money is appropriated. The scope of the intended work must reflect the realities of the current funds available.

WMATA must identify those segments of the proposed system which can be completed with currently available resources. It appears to me that WMATA has two choices. First, it can utilize Federal funds for completion of those elements in your current schedule, provided it assures UMTA that funding beyond that appropriated by Congress and required to complete the segments you begin will be provided solely from non-Federal sources. This is the practice of other cities which do have dedicated local funding. Second, if WMATA cannot or chooses not to provide UMTA with such assurances, it can amend the construction schedule and utilize Federal funds for construction activities only on those segments which can be brought into revenue service with currently available funds. Either of these approaches will ensure that available Federal funds will produce useable facilities.

At this point in time, however, there is no apparent source of working capital to proceed under the first approach nor does it appear that the WMATA jurisdictions are anxious to guarantee the substantially increased local share liability implicit in this approach. And if the second option is not followed, I have no choice but to limit grant approvals to those selected elements of your program which can result in useable facilities, and hold off on those which patently cannot.

There have been several instances in the past of your Board authorizing the construction of facilities which have stood idle, for years in some cases, while other pressing mass transportation problems have gone unaddressed. Though in some cases unforeseen difficulties were the cause of this problem, we cannot let it happen in the future.

Specifically, WMATA invested $20.6 million in a station at Grosvenor only to let it sit idle for six years until the Red Line opened in August of 1984. Similarly, the station at Waterfront, a $16.1 million investment, has been completed for eight years, yet has gone unused because resources necessary to complete the Green Line have been diverted to begin construction on other parts of the system. In fact, should the line to Anacostia be completed in 1990, as presently scheduled, the Waterfront station will be twelve years old! These are cases where resources could have been utilized to complete the line but were used instead to begin construction on other parts of the system.

Now, unfortunately, it appears that WMATA is on the verge of continuing this illogical practice. If WMATA were to proceed with its current construction schedule, then only the Red Line from Silver Spring to Wheaton would be brought into revenue service with available resources. Left partially built, inoperable, and without funds to complete would be the Green Line to U Street, the Green Line to Anacostia, the Green Line from Fort Totten to Greenbelt, and the Yellow Line to Van Dorn Street. These incomplete routes would result in a total unfunded liability of $928 million. The ICCA-IV plan for constructing the system encourages, in fact mandates, use of scarce capital resources in this manner. While I recognize that Congress may not adopt the President's budget as proposed, I will not permit construction to proceed on the assumption that the President's budget will be rejected.

Dedicated Local Funding

The Federal and congressional request to the Board for dedicated local funding is an issue which is certainly not new, in fact it has been successfully avoided by you and other members of the WMATA Board for at least ten years. The record is full of references of concern by the Congress and the Executive Branch and with a recognition of the need to act by a series of WMATA General Managers, all followed by a record of inaction and avoidance by the WMATA Board.

In response to the congressional concern about local sources of funding as expressed by Congressman Conte in March 1977, WMATA General Manager Lutz testified that: "The Authority is investigating new sources of funding which will supplement fare box revenue...(t)he Authority is convinced that ultimately an earmarked or dedicated tax(es) is essential to supplement the financial program of the Authority."

UMTA Administrator Page, in January 1978, posed the key question which remains unanswered today: "We are asking, I hope, what a good businessman asks. It seems that if you want our money and our help in getting more money, then I suggest you tell us what you want to build, why and where the money is coming from."

In August 1978, Secretary Adams made an impassioned plea to WMATA, "...don't keep giving us numbers that keep going up and up and just say in some fashion they're going to be paid. Get down and have yourself a financial plan and a construction plan...we're announcing to them, get at it right now."

Secretary Adams reiterated his concerns at the 15th Airlie Conference in 1978 when he said: "This brings me back to the message I have delivered to this assembly before, and no doubt will deliver again, because I believe it is absolutely essential to the future of Metro. We must have a dedicated local funding source to support public transit construction, maintenance and operation. I believe such action on your part is imperative. It is the next important step. (emphasis supplied) It is inevitable if WMATA is to succeed and Metro is to continue."

During the House Appropriations hearings in March 1979, Congress reiterated its concern about the lack of action to implement a local source of funding and a financial plan. This time Congressman Duncan voiced the frustration and WMATA General Manager Lutz responded that "at this point in our history, some source of dedicated tax, at least within the major jurisdictions, is a very important goal for the fiscal health of the program and good management."

Later the same month, upon assuming the WMATA General Manager position, Richard Page told The Washington Post: "What Metro needs--and everybody knows it--is a firm source of dedicated (tax) revenue (to pay for the operating deficit). Passing the hat among local governments has worked, but it has made life extremely difficult."

Three years later, The Washington Post very accurately reported: "They (WMATA Board members) are forced to spend most of their time figuring out how to shift some of their share of the expense of subsidizing Metro to somebody else...(t)hus, the hard questions, the core questions, go unanswered year after year as Metro leadership bogs down again in an endless review of line items."

Most recently, in the Congressional Appropriations hearings in 1984 and 1985, Congressman William Lehman and Senator Lawton Chiles persistently pressed WMATA General Manager Turner regarding the need for a regional tax for transit. WMATA's position after more than ten years of prodding and public hand-wringing was to assign to a Board Committee the responsibility to explore the issue of a regional tax. After promising in March of 1984 to give its official position by July 1, 1984, Mrs. Turner responded in March 1985 that after one year "(c)onsiderable data has been developed and many meetings have been held, but as of this date (March 1985), the Board has taken no official position on the issue." (emphasis supplied)

If the Board cannot even take an official position after ten years, when will a local funding source be established? The Congress and the Executive Branch have demonstrated both good will and financial support for Metro, while the WMATA Board has blithely ignored the widely recognized need for dedicated local funding. I only wish the WMATA Board had shown the regional unity and commitment to secure local dedicated funds as it has demonstrated in obtaining Federal funds.

Federal Commitment

There has also been much public discussion about the "Federal commitment" of five Presidents and eleven Congresses to the completion of the 100-mile system.* While it is true there were public endorsements of completion, such statements are simply not the currency necessary to build a station. Moreover, when the system was endorsed by President Nixon in 1970, the estimated cost of the 100 miles was $2.9 billion. By the time of President Ford's endorsement in 1975, the total cost estimate escalated to $4.6 billion. When President Carter endorsed and provided funds to the system in 1979, the estimated cost to complete had risen to $7.5 billion. Today, the estimate to complete the new 103 mile system is about $12 billion.

The untold story of the "Federal commitment" can be found in the remarks of numerous Administration officials who are said to have committed to the full 100-mile system. In 1975, Secretary Coleman said "my recommendations ...will be based on my belief that all possible sources of funding in the region should be exhausted before the Federal taxpayer is asked to make further contributions to Metro." UMTA Administrator Patricelli, in 1976, stated the commitment as follows: "The Federal Government, reviewing all the other demands being made upon it, has set a ceiling of $4.67 billion on system costs in which it will participate." Finally, in 1979, President Carter predicated his public endorsement on the assurance of your Board that funds made available under Stark-Harris were all that would be needed to complete the system: "The Federal Government has now placed its total monetary commitment to Metro on the table."

Nevertheless, only five months after securing both the commitment and funds from the President, The Washington Post accurately reported that the cost to complete the system had jumped again--this time by $2.5 billion. When will these cost escalations stop? Have Presidents Nixon, Ford, and Carter reiterated their "commitment" to pay for the system at any cost? In view of this history, I will not publicly support, nor will I recommend that the President support, the completion of a system whose costs so clearly exceed the funds available.

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* A system you unilaterally extended on December 13, 1984, to 103 miles, at an additional cost of $132 million, without congressional or Departmental approval.

As a long-time resident of this area, I am fully aware of the competing local political interests involved in reaching a consensus. Numerous officials have repeatedly told me that the local political fabric is so strained that issues such as building one segment at a time and long-term funding cannot be resolved. I believe that such an assumption in itself weakens political support.

Finally, I believe in this region, and have faith that the unity you have achieved on so many other issues can be used to secure a dedicated funding source. As Secretary Brock Adams said when he made the same request to you in 1978: "Because whether it's President Carter or myself, we're talking about 1983, '84, '85, in that area, but I am determined that I will not leave a mess for the Secretary of Transportation in 1985 and 1986."

The Completion of the Inner Green Line

Your Board wrote President Reagan a letter on January 9, 1986, and stated that "this proposed withdrawal of funding could not come at a worse time, because of its impact on the Green Line. After many years of difficult planning choices and legal challenges, all the decisions are finally made. At long last, we are ready to go ahead with this rail line, which will serve the heaviest concentration of riders in the regions. Many of these citizens are some of the most economically disadvantaged and transit dependent people in the area. It is essential, as a matter of equity, that this line go forward." I heartily applaud the Board's commitment to the President, which recognizes that the inner Green Line is the most cost-effective portion of the system and serves the most transit dependent citizens in the region. I could not agree more, and am pleased that you are ready to proceed.

Our review of WMATA's own cost figures and construction schedule, indicates that the Authority can, if it chooses, complete the inner Green Line from U Street to Anacostia with less than the total amount of Federal funds already appropriated by Congress and thus currently available.

To be more specific, $541 million (FY '85 and '86 Federal appropriations and local match) is currently available for WMATA construction activities. These are funds which have not yet been put under contract for any part of the system. Based upon WMATA's own figures, an additional $285.1 million is required to bring the inner Green Line into operation.

Thus, your Board alone has the authority, consistent with your own observations to the President regarding commitments to cost-effectiveness, the transit dependent, and fairness and equity, to build the inner Green Line. Then, the needs of the most transit dependent citizens of this area could be met quickly and within the bounds of Federal requirements.

Therefore, if Metrorail service to highly transit dependent areas is truly a priority of the WMATA Board, as your letter to President Reagan indicates, there is absolutely no question that the Green Line from U Street to Anacostia can be completed within already available budget authority for Fiscal Years 85 and 86.

Summary

UMTA's primary goal with respect to WMATA and every other transit authority is to be certain that Federal funds are utilized to construct useable mass transportation facilities. Is UMTA "breaking faith" with the region by requiring that Federal funds not be used for transportation facilities which sit idle for years while other legitimate needs go unmet? Is it unreasonable to ask this region to use available Federal dollars for those parts of the system which can be completed rather than for those parts which cannot? Is it too great a sacrifice for this region to delay construction activities on certain segments until the money is available to complete them?

UMTA also joins Congress in repeating our decade old request for the Board's plan to finance the system, and urges you to understand the true nature of "federal commitment." To do otherwise creates unrealizable local expectations and places an undue burden on your congressional delegation whose past efforts to obtain funding have been remarkable. Finally, I urge you to recognize that the construction of the inner Green line can be achieved now by the Board, and the Board alone.

Each of these is a sound requirement dictated by prudent management of diminishing Federal resources. Even though the final outcome of WMATA construction funding for Fiscal Year 1987 will not be settled for several months as the congressional debate proceeds, we should be able to reach agreement on the expeditious commitment of available funds. Should further budget authority eventually be provided, an amended contract scope could be drawn and a construction schedule geared to bringing into service incrementally useable facilities.

I have been asked by Secretary Dole and O.M.B. Director Miller to discuss these important matters with you at any mutually agreeable time. In our common interests to facilitate the obligation of Fiscal Year 1985 and 1986 grant funds, I sincerely look forward to our meeting on February 18.

Sincerely,

Ralph L. Stanley

ICC ELIMINATION

Mr. CONTE. Secretary Dole, your budget calls for the elimination of the Interstate Commerce Commission.

Would you outline what is anticipated for the further deregulation of the rail, truck, bus, and barge industries under that proposal?

What regulation will remain, and who will do it?

[The information follows:]

The Department is in process of drafting and reviewing the legislation to implement that item in the President's budget. For this reason, it would be premature at this point to be very specific about the details of the proposal, but the major ingredients in the bill, which the Administrator expects to submit in the near future, will be as follows:

The Administration's proposal to eliminate, or sunset, the Interstate Commerce Commission (ICC) will build on the successful regulatory reforms of the last five to ten years. It will also be consistent with the three deregulation bills the Administration submitted to Congress in September 1985 by incorporating those proposals in the new bill. Those bills would completely eliminate Federal economic regulation of the trucking, surface freight forwarder, and interstate water carrier industries. The sunset bill will also generally eliminate remaining economic regulation of the intercity bus industry, rail passenger and ferry operations, and interstate pipeline companies other than water, gas, and oil. To ensure that the economic reforms envisioned by the Staggers Rail Act continue, the bill will leave intact the regulation of railroad freight transportation.

Except for railroads, we do not think that any surface transportation industry benefits from or requires Federal economic regulation. And we do not think it makes much sense to keep an entire surface transportation regulatory agency merely to partially regulate one mode. Accordingly, we propose to simply transfer the major responsibility for the implementation of the ICC's rail freight functions to the Department of Transportation, except for rail antitrust matters which the President's Budget contemplates will be transferred to the Department of Justice. Consistent with H.R. 3929, our trucking deregulation proposal, the ICC's consumer protection regulations governing the household goods movers would transfer to the Federal Trade Commission.

Mr. CONTE. Secretary Dole, when can we expect to see an actual legislative proposal to accomplish the sunset of the ICC?

[The information follows:]

The Department is in the final stages of drafting and reviewing a bill what would sunset the ICC. We expect that the legislation could be submitted to Congress by the end of March of this year.

Mr. CONTE. When the Airline Deregulation Act of 1978 provided for the sunset of the CAB, it provided for a multiyear phase-down of the airline regulatory activities.

Given the lateness of the Administration's proposal for the ICC, is it not likely that some sort of multiyear period will be required in order to sunset the ICC as well?

Will you submit a supplemental request for the ICC funding if sunset is not enacted this year?

[The information follows:]

In the case of sunset of the ICC, there has already been a five-year phase-down of surface transportation regulatory activities. The Administration's proposal would simply complete the job of deregulation begun in 1980 for trucking, freight forwarders, brokers, and intercity buses, and remove the unnecessary regulation that affects only about seven percent of water transportation and a few rail passenger routes. We do not need any further drawn-out period to accomplish that.

As for the remainder of the proposal, we would simply transfer intact the rail regulatory functions of the ICC elsewhere in the government. For that we do not need a phase-down, either.

The President's 1987 Budget does, however, include a contingency appropriation request of $48.3 million for the ICC in case the ICC sunset proposal is not enacted this year.

Mr. CONTE. Does the DOT budget include funds to handle those regulatory functions that would presumably be transferred from the ICC to the Department under a sunset proposal?

[The information follows:]

The President's 1987 Budget assumes that the ICC will sunset at the end of FY 1986 and that residual rail functions would be transferred to DOT. $7.8 million has been tentatively shown in the President's FY 1987 Budget as a separate line entry under OST (for later transmittal) to fund these functions. Also, OST's employment estimate has been increased by 155.

SPACE COMMERCIALIZATION

Mr. CONTE. Has the space shuttle Challenger tragedy affected the Department's Space Commercialization program?

[The information follows:]

Certainly, we are all stunned by the tragic loss of the Challenger and its crew. DOT has been active over the past few weeks in efforts within the Executive branch to assess the impacts of this loss on the government's space program and to make recommendations for its recovery.

We are continuing our efforts to clear away the regulatory barriers that could stand in the way of the development of a commercial launch vehicle industry. Later this month we will publish an interim final rule that will provide private sector firms with clear, flexible guidance for planning and getting the government's approval for commercial launch proposals.

CONRAIL SALE

Mr. CONTE. Secretary Dole, one of the greatest beneficiaries of the Conrail sales effort has been the lobbying industry.

Would you provide for the record, the amount that the Department has spent in pursuing the Conrail sale, including past and future investment banker fees, as well as the amount spent by Norfolk-Southern in lobbying for this sale?

[The information follows:]

We have paid Goldman, Sachs & Co. $2,827,495.32 from May 1, 1982 through January 10, 1986. That figure includes compensation for their services as investment bankers and the fees of their lawyers and accountants for which we reimburse them. When Conrail is sold, Goldman Sachs will be paid one-half of one percent of the aggregate consideration paid to sellers of Conrail common or preferred stock. The payments previously made to Goldman Sachs, less amounts they were reimbursed for the services of their lawyers and accountants, will be credited against the amount due them upon closing. We have also transferred $350,000 to the Justice Department to fund the study the Justice Department is conducting to verify the representation of Norfolk-Southern, Guilford, and the P&LE concerning the proposed divestitures.

We do not know how much Norfolk-Southern has spent in lobbying for this sale.

PASSIVE RESTRAINT RULE

Mr. LEHMAN. Mr. Carr?

Mr. CARR. Madam Secretary, first I want to thank you for the Department's position on NHTSA on the CAFE reductions from 27.5 to 26 and I know that we are in a rulemaking process right now. I just hope that we can continue that and I appreciate your support on that.

Also, in the area of automobiles, I notice that in your statement, you talk about Rule 208, and the 17 states and the District of Columbia that have enacted safetybelt use laws.

My question there is, are all these laws going to qualify under some criteria that you had orginally laid down as we try to approach that 25? I believe, it is the magic percentage, what was it, 25 percent or something like that?

Secretary DOLE. The way that it works is that 10 percent of the new car fleet in this coming model year——

Mr. CARR. That was the bad part of the rule.

Secretary DOLE. I am sorry, I missed the last part of your question there. Did I get it wrong?

Mr. CARR. I did not agree with the part of the rule that required airbags in advance of knowing whether a number of states would in fact, qualify.

But the other part of the rule, which was the incentive, the carrot-stick was 25 percent of the population——

Secretary DOLE. Oh, that is two-thirds of the population would have to be covered by seat-belt laws.

Mr. CARR. Now, how far are we in getting to that two-thirds? What percent are we at now?

Secretary DOLE. Let me describe, just very briefly, the way in which the rule works, which, of course, was issued almost two years ago. It will be two years this July and the idea was that we wanted to save the most lives quickest, which is the use of the seatbelt in some cars now. That does not require a 10-year turnover to put in a new system. It does not cost anything. If you can just get people to buckle-up, you would eliminate many, many deaths on the highways and crippling disabling injuries.

So, the idea was how you accomplish that and at the same time encourage the states to move forward but also preserve the technology of the airbag. It is, indeed, a life-saving device, but you cannot use it alone. You have to have a seat-belt as well, because it does not provide the rear end and roll-over protection.

So, the idea was that the manufacturers would have a choice, whether it would be a passive belt on the door or an airbag or whatever. If, by the next model year coming up, two-thirds of the population in the United States was not covered by seat-belt laws, then 10 percent of the new car fleet would have passive restraints of their choice as to type, and then 25 percent, 40 percent and four years out, 100 percent.

So, we are about to reach that first year this fall.

Now, in terms of providing advice to the states, so to speak, on their seat-belt laws, at this point, the court has intervened in this process. The court has determined that there will be a rehearing because one of the judges who heard the appeal on 208 died, and they have now determined that they are going to rehear the case. It will be March 11, and they have asked us, DOT, to submit a brief by February 28.

That has put everything else on hold, while we get that brief ready and submit it to the court, which will have some comments addressing the development at the state level.

Mr. CARR. What population percentage are we getting to now?

Secretary DOLE. Well, in terms of just a sheer percentage, now this is not to say which ones are in compliance with federal criteria, but I think it is around 59 or 60 percent.

Mr. CARR. Okay, thank you.

Secretary DOLE. Sure.

CAPITAL AIRPORT IMPROVEMENTS

Mr. CARR. I just want to editorialize, to counterpoint my good friend from Virginia, Mr. Wolf, who is a stalwart supporter of the airport transfer that some of us are not.

Part of what we see here is the federal government and not just under your stewardship but in prior administrations and prior Secretaries, being really stingy with needed improvements at both of these airports, in an effort to essentially engage in a self-fulfilling prophecy that they are not a federal priority and so, we would be better off shucking them off to someone else.

I still think that there is a lot of commitment around here that we can find for putting the necessary improvements in these airports and making them the airports that they really ought to be.

Secretary DOLE. I think that as you go to that kind of a commitment, you are going to find other airports around the United States rising up in arms and saying, that is unfair.

But I would appreciate very much an opportunity to talk with you about it and we could really go through the——

Mr. CARR. Well, I will be glad to exchange views, but I doubt that we will convince one another, but——

Mr. LEHMAN. You have a very full appointment calendar.

Secretary DOLE. I see that.

Mr. CARR. You are not going to have much left of your year, if you keep doing that.

But I really believe that the nation's capital really ought to have airports that are owned by the nation as a whole. And——

Secretary DOLE. This is certainly not my primary consideration by any means. But, it is a factor that is worth discussing, I think. In terms of the Department of Transportation, with all of the broad responsibilities across all modes of transportation that you have, to me, running two airports is just not an appropriate fit; for example, to be determining how much to pay the police. That was one of the questions today, how much should the police be paid at National Airport? That is an issue that literally I deal with. You know, it is a hands-on running of two airports which to me is not the appropriate sort of function to have, given the amount of time that goes into that area. But as I say, that is not, by any means, the primary consideration here. The primary consideration is the source of funding so that they can be refurbished and brought up to first-class status.

Mr. CARR. And I think that we can do that within the federal ownership but we need not bat that one back and forth here.

But I would like also to ask you to expand—you agreed to give Mr. Durbin some information, specifically with respect to Illinois, and without going into his line of questioning, my own state transportation director informs me that the loss of funds, the sheer loss

of funds is not a good bargain in exchange for added flexibility and if you could add that, I would appreciate it.

Secretary DOLE. I would be happy to provide the specifics.

[The information follows:]

After the recent reductions required by the Gramm-Rudman-Hollings Act the Federal-aid highway funds apportioned to the State of Michigan for fiscal year (FY) 1986 were $342.6 million. Under the Administration's proposal (H.R. 4144) we estimate Michigan will receive $320.8 million in Federal-aid highway funds for FY 1987, a decrease of $21.8 million. This is a decrease of 6.4 percent, less than half the national average decrease of 13.2 percent in total program level for FY 1987.

CONTRACTING OUT MASS TRANSIT SERVICES

Mr. CARR. I might point out, too, that the highway contractors get none of that deal. The loss of funds comes right out of them. There is no revenue to the highway contractor for added flexibility at the governmental level.

I want to ask you a lot of questions about the FAA, but before going there, I would just like to skip over to something that Mr. Sabo talked about and that was privatization.

I do not want to get into a philosophical discussion about it, but it appears to me that Mr. Stanley, for whom I have the highest regard is doing a good job given his restraints, and perhaps his philosophical encumbrances. But he is nonetheless one of the brightest and most able people that I have met in government and I say that with all sincerity, he is a great guy.

But it has come to our attention that he is really trying to compel transit authorities throughout the United States to contract public transit services to private operators as a condition for the receipt of federal grant transit aid.

I do not believe that there is any authority in the statutes for him to do that. If I am in error, I would certainly like to be pointed to that provision of the law which enables the UMTA administrator to so condition such funding.

Now, we might have a great discussion whether it is appropriate or not, but I think that the question today is whether it is legal? I am not coming from any point of view on that, but it has just come to my attention that there may be some serious questions about that and if there are, I think that maybe we need some legislative suggestions from the Department to the Congress to expand the authority if the authority already exists. There are a number of us on Capitol Hill who would appreciate knowing where that is, and you can supply that for the record.

Secretary DOLE. Okay, it is basically a matter of trying to encourage that privatization be included rather than any specific requirement or regulation. But in the highway reauthorization bill, I might add, there is a provision that over the four-year period, the first year 5 percent, then 10, then 15, then 20 percent of services be available for competitive bid, period. Not that it's a quota, that there be a 20 percent quota or anything of that sort. Rather it is that that much be put out for competitive bid, because we do have studies that indicate a great deal of savings can be obtained in many instances. And we just want to be sure that that is thought of as an alternative in the planning process.

Mr. CARR. Well, I certainly would not want to be party to restraining Mr. Stanley's free speech over lunch with a transit operator about how they might do something different, but I would also want the transit operator to understand that the amount of money that is about to be approved by this person is in no way conditioned on whether they take his suggestions.

Secretary DOLE. Right.

Mr. CARR. So, I think that point has got to be made, really very clearly, because I have gotten from a lot of transit operators that there is really more behind this that just discussion over a cup of coffee. But you can supply that for the record.

Secretary DOLE. Okay.

[The information follows:]

The UMTA Guidance on Documentation of Private Enterprise Participation does not require transit authorities to contract out public transit services to private operators as a condition for the receipt of UMTA funds. Instead, it requires that the transit authorities document the efforts they have made to look at the abilities of private operators to provide service and to fairly and adequately consider those abilities. This documentation is necessary to allow UMTA to make its statutory findings under section 3(e) of the Urban Mass Transportation Act, as well as to ensure that the requirements of sections 8(e) and 9(f) of that Act are being met. Although the guidance does not require the transit authorities to actually contract with private operators, the Department believes that, after carefully evaluating the capabilities of these operators, many transit authorities will make parts of their operation available for competition in order to take advantage of the cost savings that competition can afford.

FUNDING FAA OPERATIONS

Mr. CARR. Let us turn to the FAA which is one of my greatest concerns, particularly in the area of flight safety.

I am a little puzzled by your term, non-monetary supplemental. Can you expand on that for me a little bit?

Secretary DOLE. Shifting from one account to another. It would not involve more dollars, but rather a shift from one account to another so that you do not have that kind of pressure on FAA.

Mr. CARR. Well, you are shifting then the pressure from the operating side to F & E, research, airport grants, to the other side.

Secretary DOLE. It could be outside of FAA as well, in other words, between modes, other accounts. We are in the process of working that through right now, as to how we would make the adjustments to get that pressure off the FAA.

Mr. CARR. Let me ask you a question and maybe you can——

Secretary DOLE. It would be just purely transfers or offsets against other appropriations.

MILITARY REIMBURSEMENT FOR FAA SERVICES

Mr. CARR. Well, maybe your budget people could have an answer to this question. As our good friend, Mr. Conte just said, the military is making a payment to the Coast Guard, presumably because the Coast Guard provides some support services to the Navy.

And how much does the military provide the FAA? How much money is transferred from DOD to FAA?

Mr. KARAM. I do not believe that there is any, no direct transfer.

There are reimbursable programs for traffic controllers. When we provide a service for the Department of Defense, then they reimburse us.

Mr. CARR. Could you give us an example of one of those services?

Mr. KARAM. Well, air traffic control is one where you have a military tower manned by the FAA, for example, but I could supply that for the record.

INTERGOVERNMENTAL PAYMENTS BETWEEN FAA AND DOD

Mr. CARR. Well, I would like to encourage you to get into a broad-based inquiry about the DOD/FAA interface. And I would like to encourage you to do this also as a part of, as you say you are now doing, looking at this trade and that trade.

You know, when the President, or indeed, you yourself, or I get into an aircraft out at Andrews Air Force Base and we go on official business, our safety is in the hands of the FAA, just as if we got into a commercial airliner at National and went some place.

And I am not really aware of any payment that is made by the military to the FAA. The commercial airlines or the ticket tax, aviation fuel taxes, and a whole host of other things are paying the freight.

It seems to me that an argument might be lodged that particularly with respect to the aviation activities of the Marine Corps, Navy, Air Force, Army, that the person who boards a commercial airliner who pays a user fee through that ticket tax or the general aviation pilot who pays a user fee or a gas tax, is really subsidizing the military use of the FAA network.

Secretary DOLE. There are definitely some reimbursable programs, and we will be glad to get those figures for you, but there are payments made for those services, on the part of the military.

Mr. CARR. Well, that is my question, I guess.

Secretary DOLE. Right, definitely.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

(Dollars in Thousands)

B. Payments by DOD to FAA

	FY 1985	FY 1986 Estimate
1. Electromagnetic compatibility	117	200
2. Fire safety	109	150
3. Lightning strikes	65	0
4. Safety fuel evaluation	28	82
5. Maintenance and inspection	21	21
6. Maintenance of air traffic and navigational facilities	222	229
7. Maintenance of height finder radars, communications equipment, VASI, taxiway lighting and distance marker	8,157	8,213
8. Maintenance of housing/construction/ hangar	94	103
9. Maintenance of equipment	189	189
10. Maintenance of tower and terminal	162	165
11. Electricity/utilities	423	423
12. Maintenance of air conditioning and access road	98	78
13. Supply support	661	859
14. Repair of equipment	407	560
15. Calibration of equipment	47	117
16. Logistics support	91	260
17. Training for Joint Surveillance System	140	140
18. Training	57	107
19. Joint-use of Clinton Sherman Airpark	481	443
20. Training courses	19	25
21. Avionics calibration	150	149
22. Equipment and services related to flight inspection	79	153
23. Calibration of TACAN sets	7	19
24. On call maintenance	22	30
25. Tape transport unit repair	0	8
26. Consolidated NOTAM system	0	2,100
27. Engineering analysis for joint tactical information distribution system	1,233	131
28. R-2508 radar program	3,422	2,581
29. Provide microwave landing system	727	0

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

(Dollars in Thousands)

B. Payments by DOD to FAA

	FY 1985	FY 1986 Estimate
30. Provide enroute automated radar tracking	596	204
31. Procure dual channel receivers for long range radar	454	0
32. Provide flight data input output	346	3,485
33. Provide instrument landing systems	224	0
34. Procure ATCRBS antenna (radar)	168	235
35. JSS program-minor construction work	101	143
36. Replace communications equipment	34	11
37. Install consoles at ARTCC	13	11
38. Relocate VOR/VORTAC	6	0
39. Install bright radar indicator tower equipment	27	5
40. Provide hardware interface with ARTCC	3	4
41. Provide automated radar terminal systems	0	276
42. Convert VOR/OME to VORTAC	0	7
43. Install mobile ASR-8	0	8
44. Maintenance services	20	18
45. Services and materials	7	12
46. Modify FDEP printers	0	7
47. Maintenance of subcable terminal	257	250
48. Maintenance of tower cab digital display	0	12
49. Provide radar microwave link	82	124
50. Miscellaneous reimbursements	484	485
51. Air traffic control services	253	284
52. Maintenance of TML and BRITE	9	33
Total	20,312	23,149

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

(Dollars in Thousands)

A. Payments by FAA to DOD

	FY 1985	FY 1986 Estimate
1. Interphone service	112,939	117,398
2. Air navigation facility	6,509	6,766
3. Digital data service	3,667	3,812
4. Remote control air/ground (RCAG)	16,403	17,050
5. Radar remoting	8,329	8,658
6. Facsimile services	535	556
7. Remote tower, FAA radio circuits	7,861	8,172
8. Helicopter IFR Operations	49	0
9. Technology-Advanced Computer Science	543	0
10. Aircraft separation assurance	2,000	1,080
11. Communications-data link	671	275
12. Flight crew performance	325	108
13. Airport pavement and traction	100	100
14. Doppler weather radar	2,580	950
15. Safety fuel evaluation	30	35
16. Crashworthiness	325	193
17. Flight safety	160	50
18. Security	150	350
19. Support for Tokyo FIFO, maintenance of aircraft and reimbursement for Air Force employee in Frankfort FIFO	114	114
20. Preparation of handbooks	130	130
21. Personnel costs	124	127
22. Military personnel	460	565
23. Next generation weather radar	8	4
24. Install brite radar indicator tower equipment	7	35
25. Replace transmitters and receivers	9	0
26. Lease ICSS equipment (Type II)	4	12
27. Provide Integrated Communications Switching Systems (ICSS)	13	36
28. Maintain FAA UHF and VHF channels	91	95
29. Operate and maintain microwave equipment	66	66
30. Provide supplies, utilities and space	109	109
Total	164,311	166,846

GENERAL TAX PORTION OF FAA BUDGET

Mr. KARAM. I would like to make one other point, if I may? The scheme for the user taxes for FAA activities goes to 85 percent theoretically of what the FAA does by way of controlling the air space.

You have the 15 percent, which theoretically comes from the general fund, and goes to support other governmental activities. That is probably as it should be, because the user should not pay for defense, for example. I say theoretically, because as we have progressed over the last few years, the percentage out of the Trust Fund has been closer to 50 percent, and so the general taxpayer has been paying a great deal more of the FAA's activity whether it be for civilian or for defense.

Secretary DOLE. We will get you details on that.

Mr. CARR. Yes, I would like to get what you have on that and how that is priced out. Does the military reimburse FAA for the services provided for early warning radar? Coastal radar?

Mr. KARAM. I do not know.

Secretary DOLE. We will have to check that.

Mr. CARR. Well, let us find that one out, too.

Secretary DOLE. Fine.

USE OF TRUST FUND MONIES FOR OPERATIONS

Mr. CARR. I just might say that I cannot agree with the suggestion of the budget that we cut F & E and we try to move those items over to O & M, operations and maintenance. I think that is an unwise use of the dollars, not to mention that it breaks a commitment that was, you know, when this whole thing got started, users agreed to be taxed. It was as if everybody got in a room and there was an agreement, there was a deal cut. And the deal was that the users would agree to be taxed on a user fee basis if the trust fund that was created out of those proceeds, would be used to make the capital improvements principally in the system, airports, facilities and equipment.

And of course, it did not take much time for the government and the people at OMB principally, and this is not in your administration, it has gone on since the trust fund was created, trying to break the deal.

And to revise the deal. And now, I am really sad that this budget request is an extension of that deal breaking, that commitment keeping.

We are now to a point where given that complex formula, you can already manage to engineer up to 60 percent of operations out of the trust fund. I am told that given the way the formula operates, it is only now at about 30 percent and now you are trying to, presumably, you are going to offer some legislation that really wholesale breaks the deal and says, let us finance almost all of operations on the trust fund.

I am really sad about that.

Secretary DOLE. Well, basically, as far as fiscal year 1987 and beyond, everything that comes into the trust fund is to be expend-

ed, so that it would be deficit neutral, just everything that comes in, goes out.

There is a balance in the trust fund because of the penalty that was put into law in 1982, whereby if there is not every penny of the full authorization for capital programs appropriated, then FAA operations would not be funded from the trust fund, but rather by general revenues. As a result, that balance has been building with interest from the general taxpayer on the balance, and ultimately, of course, all of that will be utilized for the FAA. The trust fund contributions will be utilized as intended, but it is not anticipated that those balances that were created by the penalty would be used now. But anything coming in would go out.

On F & E, overall, it is not a question of the need for more money there. As I understand, we have over a billion dollars that carries over from last year and so that program is moving along. Technological aspects, rather than any funding considerations, would be the only thing that keeps the projects from being 100 percent on target.

Ray, you may want to comment further on that. But it is not really a funding problem in F & E.

Mr. CARR. Well, other than as a conceptual matter, there is nothing preventing you from requesting to spend the trust fund balance for authorized purposes, is there?

Secretary DOLE. Well, the technological advancement is part of it, with F & E. In other words you cannot spend it faster than the technology is developed and so there has been a bit of slowdown there. Just a matter of months based on technological development but not based on dollars, not based on lack of funding.

Mr. CARR. Well, those things communicate with one another and it begins to be a chicken and egg thing. A few years ago, under the administration of Lynn Helms, we had all manner of people and yourself up here supporting NAS Plan and making go for it kind of statements.

Secretary DOLE. We still fully support it.

Mr. CARR. And then we got to the final crunch on the conference committee, between ourselves and the Senate and miraculously there was this letter that pulled the rug out from under FAA and said, no, we do not want to do this, after you had beautifully laid a ground foundation for spending this money.

Gratefully you kept your commitment to come back the next year and stand beside the request, but you know, the technology can proceed only as it is funded and the contractors out there are encouraged and see a fairly constant and assured stream of money available to complete the task.

So, I think that it is false to blame it entirely on the pace of technological developments. I doubt that there would be many contractors who would testify to this Committee that would say, we are being held up because we just do not know the technology right now. This is all state of the art stuff, it is off the shelf and it is fully available. It is, are we going to have the money and the will and the money to go and do it.

And I come back to the question, conceptually, I know that you have got constraints by OMB, and you have got your own internal

thing in DOT, but conceptually, there is nothing preventing this government from asking that the $3 billion surplus be spent for authorized purposes, is there? And that can be done.

Mr. KARAM. A great deal of the money in the trust fund, as you pointed out, is surplus. It does not go to the question of funding F & E, and research and development so much. There have been appropriations that have come in below the authorized level, as you mentioned, and that $750 million several years ago was what you are referring to with the letter.

But a very large part, if not the biggest part, of that surplus comes from the fact that the general taxpayer and not the trust fund had been paying for the operations of the FAA. Between the years 1982 and 1986, 28 percent of FAA operations were trust fund funded.

DOT PAYMENTS FOR NOAA SERVICES

Mr. CARR. I will go back to the original statement that I made, the deal was not to fund operations. The deal was not to fund operations. I do not think that any reading of history can conclude that when people agreed to tax themselve, to burden themselves with the tax, that they also agreed to finance the operations of the FAA. That has been a fight. It has been a traditional fight. It has been a tug of war, and really it says, to all the users out there, and indeed, I get it on the highway side, too, it is that you cannot make a deal with government because government will not bargain in good faith. The government will not keep its deal with the American people.

You say that you are going to raise taxes for a particular purpose and it just gets diverted. It gets used for an accounting purpose that was not intended by the deal, and I just have to come back to the point that I really am just sad. I cannot express it any other way, that these people who agreed to be taxed to improve the airports and the facilities, capital improvements of the system, have just been nickeled and dimed. We have got a situation now, where NOAA, that happens to be, Mr. Chairman my other Subcommittee, NOAA is dinging the FAA trust fund for money for weather service.

Secretary DOLE. The NEXRAD, yes.

Mr. CARR. For weather services. You know, the barge operator, the farmer, all the other users of weather services do not pay and maybe they should, maybe that is a different discussion. But aviation is now singled out to pay for its weather services.

Secretary DOLE. We are saying that aviation users are the primary beneficiaries of the developments coming out of NEXRAD and that aspect of it should be paid for by DOT rather than commerce, that is right. That is what is happening.

Mr. CARR. Well, is DOT paying NOAA for their coastal surveys? For navigation charts?

Those beautiful charts that NOAA puts together with all the little numbers all over them saying how deep the water is in the Potomac? I mean is there a user fee going to barge operators?

Secretary DOLE. We do pay for them. We do pay NOAA for charts.

Mr. CARR. And is there a barge operator paying for them?

Secretary DOLE. We pay NOAA $27 million for charting services.

Mr. CARR. Where do you get the funds? It comes out of the general fund, does it not?

Secretary DOLE. Trust fund.

Mr. CARR. Which trust fund?

Mr. KARAM. The airport trust fund.

Mr. CARR. The airport? The airport trust fund is paying for waterway navigation charts?

Mr. KARAM. Not for waterway navigation charts. NOAA makes a number of charts. We do reimburse NOAA for other charts, but we do not reimburse NOAA out of the trust fund for any but aeronautical charting services.

Mr. CARR. Well, I would hope not; my goodness. I am talking about waterway navigation charts, not aviation charts. I mean, there is no user paying for those. That is coming out of the general fund.

All taxpayers, all over the country, are paying for those beautiful, and safe—I mean, they are required; I mean, safe navigation of the waters is something that is very necessary.

But there is not a tax on boat fuel which is paying for that. It just seems that aviation gets singled out because we have got this trust fund you see, and if it is there, there is all manner of people who want to go grab it.

They want to solve their Gramm-Rudman problem with, frankly, our trust fund, and I say "our". The people who pay the ticket taxes, who pay the user fees, who pay the fuel charges. Everybody wants to solve their Gramm-Rudman problem with our trust fund, the trust fund of all the aviation community, and I just think it is—I was very, very sad. I have some other questions that I will submit for the record, and in spite of our differences it is a delight to see you.

Secretary DOLE. Thank you. I appreciate it and we will get answers to those questions.

AVIATION SAFETY

Mr. CARR. In view of everyone's commitment to safety, is it not true that this budget request will inevitably require arbitrary operating restrictions?

If so, what kinds of restrictions will be imposed?

How will the traveling public be affected?

Isn't the administration committed to safety, and to the goal of accommodating the needs of the traveling public?

[The information follows:]

We do not anticipate any arbitrary operating restrictions. We will continue to employ restrictions to operations when normal air traffic system capacity is constrained due to such conditions as adverse weather, equipment outages, and runway closures.

Mr. CARR. Controller staffing is obviously an important consideration. Controller staffing is supposed to be at a level of 14,806 by midyear. Will the target be met?

[The information follows:]

The employment goal for the Controller workforce is 14,480 for the end of FY 1986. Our current projections indicate that we will reach that goal by the end of the fiscal year.

Mr. CARR. It seems apparent from the fiscal year 1987 budget request that personnel cuts will have to be made.

The FAA Administrator has indicated that air traffic controllers, safety inspectors, and security personnel are to be exempted from any personnel cuts.

Considering the importance of maintaining high integrity in the operation of FAA facilities for air traffic control, how will maintenance personnel requirements be treated?

What FAA personnel classifications will be affected by cuts?

[The information follows:]

Air traffic control maintenance facility personnel are financed in the Systems Maintenance activity within the Operations appropriation. No personnel cuts are planned that will adversely impact the FAA's ability to adequately maintain the air traffic control system. Budgeted personnel reductions in Systems Maintenance will be accommodated through increased efficiency, limited contracting out of certain functions, and other management improvement actions.

AIRPORT CAPACITY OFFICE

Mr. CARR. In recognition of the need to maximize available capacity in the airspace and airport system, FAA has established an Airport Capacity Program Office.

Are there adequate funds in the budget request for this office and its activities?

What meaningful programs can the office undertake in view of the expenditure constraints the budget request contemplates?

[The information follows:]

The Airport Capacity Program Office will produce an Airport Capacity Enhancement (ACE) Plan in 1986 documenting more than 50 FAA programs which significantly impact airport capacity including new airspace procedures, systems development and installation, and airport development. The ACE Plan will quantify benefits and estimate time frames for capacity improvement programs. The Airport Capacity Program Office will sponsor 3 to 6 airport capacity task forces in 1986 in addition to completing the 3 airport task forces begun in 1985. Airport Capacity task forces analyze and plan improvements to increase capacity and reduce delay at the Nation's busiest airports. The Airport Capacity Program Office will sponsor computer model development for both airspace and airport capacity analysis and development. The Airport Capacity Program Office coordinates capacity improvements and programs through the Industry Task Force on Capacity and Delay representing major factions of the aviation industry.

At a program level of $1.2 million in 1987, the Airport Capacity Program Office will produce an updated version of the Airport Capacity Enhancement Plan. The Capacity Office will sponsor 6 to 8 new airport capacity task forces at major airports. Airspace model development will continue and the New York airspace will be modeled with potential delay savings in millions of dollars. Airport model development will continue to allow establishing modeling capability at 3 or 4 FAA region offices. Coordination with the Industry Task Force and airport-specific benefit analysis and planning will continue as scheduled.

AIRPORT AND AIRWAY TRUST FUND

Mr. CARR. The Aviation Trust Fund currently has an unobligated surplus of more than $3 billion and it will grow to more than $4 billion this year.

In view of the high priority the budget assigns to aviation safety, why does not the fiscal year 1987 request ask for spending for the trust fund supported programs that is more consistent with current authorizations?

If expenditures for system modernization and important capital projects are not going to be requested, despite the huge trust fund surplus, would the Administration favor a reduction in the transportation taxes being paid by users?

[The information follows:]

Safety continues to be the FAA's number one concern and every FAA program either directly or indirectly is a part of maintaining a high level of aviation safety. The President's request for FY 1987 appropriations is consistent with FAA's determination of essential funding to maintain a high level of safety and modernization of the national airspace system. The Administration foresees no need to reduce tax collections prior to the expiration of current legislation in FY 1987. The Administration is in the process of preparing a comprehensive legislative package to continue the airspace modernization and improvement program past 1987 which will recommend tax and expenditure levels with due consideration to the current surplus accruing to the Trust Fund.

Mr. CARR. The budget information indicates a smaller unobligated balance in the Trust Fund because of funds held in reserve in an amount equal to authorized but unappropriated funding.

Does the Administration intend to request that these expenditures be made as authorized?

If so, when?

Is not fiscal year 1987 the last year of the current authorizing legislation?

[The information follows:]

At present, the Administration does not intend to request these expenditures, but they must be held in reserve in administering the Trust Fund as specified in law. A legislative proposal is presently being put together for the post-1987 period. Any Trust Fund surplus at the end of FY 1987 will be considered in the formulation of that proposal.

Mr. CARR. How do you think the aviation community will react to the Administration's proposals to spend more than $2 billion out of the Trust Fund for O & M; to eliminate the penalty provisions; and to disallow the interest payment to the Trust Fund?

[The information follows:]

The aviation community is aware of and disturbed with the growing Trust Fund surplus which results because appropriations for AIP, F&E, and R, E, & D have been lower than levels authorized in legislation. They are also cognizant that triggering the penalty clause further increases the surplus in the Trust Fund and shifts the burden of payment to the general public. The Administration's intent to recover 85 percent of costs from users can only be accomplished if the penalty clause is removed and 75 percent of total operations costs (approximately $2 billion) are derived from the Trust Fund.

In addition, to further address the higher than projected balance in the Trust Fund, the Administration has proposed to suspend for FY 1987 investment of the fund in interest bearing securities.

Mr. CARR. Since the airport/airway legislation expires at the end of fiscal year 1987, everyone is beginning to think about how the program should be structured in the future.

Are you working with the aviation community to develop a consensus for legislation that has broadbased support? What discussions have you had with the user community? What reaction are you receiving?

Can you tell us what some of the basic components of the new legislation should be?

[The information follows:]

We are now in the process of developing our legislative proposal for the reauthorization of the airport and airways programs and for the continuation of the user charges and trust fund which support these programs.

In October of last year the FAA convened its annual planning conference with one of the explicit purposes being to elicit the views of the aviation community on the impending legislation. Not surprisingly, the most commonly voiced admonition from the users was that the funds derived from the user charges should be applied to the programs to advance the implementation of the NAS Plan and the development of airports with all possible speed.

In the interim the Department has been developing a legislative proposal which can be used to elicit specific user responses to the critical issues.

USE OF TRUST FUND FOR FAA OPERATIONS

Mr. LEHMAN. Thank you. Mr. Coughlin.

Mr. COUGHLIN. Would the Chairman just yield a minute? Did or did not the original Airport and Airway Trust Fund legislation of 1970 provide for the user trust fund money for the operation and maintenance of the FAA? Did it, or did it not, in the original Act?

Mr. KARAM. The 1982 Act does provide for the use of the trust fund for operations; it also includes the so-called penalty, so that when the Congress did not appropriate funds for capital investment and research and development to the level of authorized levels, then the amount of money from the trust fund for operations is reduced by a formula.

Secretary DOLE. That is the 1982 amendment.

Mr. COUGHLIN. And I think the original was the 1970 Act.

Secretary DOLE. This is the 1982 amendment he was just speaking to. But the question is whether the original Act provided for operations.

Mr. KARAM. I am not sure of that. I will have to check on that.

Mr. COUGHLIN. We might want to have that for the record.

Secretary DOLE. Right. Thank you.

[The information follows:]

Section 14 of the "Airport and Airway Development Act of 1970" (P.L. 91-258, 49 U.S.C. 1714) allowed recovery of Federal Aviation Administration expenses from the Airport and Airway Trust Fund for "the maintenance and operation of air navigation facilities" among other things. The quoted language was deleted from Section 14 in November 1971 (P.L. 92-174, Section 2). Limited recovery of operational expenses was allowed in a further amendment to Section 14 in July 1976: Certain costs of services under international agreements, and "direct costs incurred by the Secretary to flight check and maintain air navigation facilities. . . . limited to costs incurred in the field and exclud[ing] the costs of engineering support and planning, direction, and evaluation activities" (P.L. 94-353, Section 6). In 1980, recovery of these operational expenses from the trust fund was conditioned on full appropriations for "Facilities and Equipment" (P.L. 96-193, Section 202).

AMTRAK FUNDING

Mr. COUGHLIN. I do have a few other questions for the record, Mr. Chairman.

Mr. LEHMAN. Fine.

Mr. COUGHLIN. The budget request calls for the elimination of all Federal grants to the National Railroad Passenger Corporation (Amtrak). What was the Department's request to OMB for Amtrak?

Termination of federal grants would require initiation of bankruptcy proceedings. In this case, what labor protection obligations would be incurred and who would have to pay?

[The information follows:]

The Department of Transportation recommended to OMB that federal subsidies for Amtrak be phased out over a three-year period starting with FY 1987. A $400 million appropriation was recommended for FY 1987, $200 million was recommended for FY 1988, and no funds were recommended for FY 1989. That request, however, was made before the passage of the Gramm-Rudman-Hollings Act. In view of the requirements of Gramm-Rudman and the need to cut the federal deficit, I now agree with the President that there should be no further subsidy for Amtrak. I did not appeal OMB's decision on Amtrak funding.

Regarding labor protection, Amtrak last year estimated the labor protection costs of a complete shutdown at $2.1 billion over 6 years. The costs would be borne by Amtrak's estate, and not by the federal government.

AVIATION SAFETY

Mr. COUGHLIN. You have said that aviation safety is your top priority. How is that reflected in this budget?

Did you get everything you wanted from OMB in the area of aviation safety?

Less? More?

[The information follows:]

OMB was very receptive to aviation safety requirements for FY 1987. Five hundred additional controllers and 138 additional aviation safety inspector positions were approved for inclusion in the FY 1987 budget.

Mr. COUGHLIN. How will an increase in the number of air traffic controllers and inspectors impact on the rest of the programs of the Federal Aviation Administration?

[The information follows:]

The increased hiring of air traffic controllers and aviation safety inspectors is in accordance with the budget and will not impact other FAA programs.

Mr. COUGHLIN. Exactly what parts of the NAS (National Airspace System) Plan will slip, and by how much?

[The information follows:]

As a result of the FY 1987 F&E request, there are no critical parts of the NAS Plan that have slipped. This has been achieved by the prudent distribution of FY 1987 resources to sufficiently fund ongoing contractual commitments and to initiate essential new startups.

Mr. COUGHLIN. A large balance is building up in the Aviation Trust Fund. Several years ago there was some pressure to reduce tax collections if Congress and the Administration were not going to spend.

Do you foresee this being proposed again?

What is the administration's position?

[The information follows:]

The administration foresees no need to reduce tax collections now. The administration is preparing a comprehensive legislative package to continue the airspace modernization and improvement program beyond 1987 which will recommend tax and expenditure levels, with due consideration to the current surplus accruing to the trust fund. The present large trust fund balance is not the result of excessive user taxes, but instead primarily results from appropriations lower than authorizations and the current statutory two-for-one penalty to operations trust fund financing.

COAST GUARD BUDGET REQUEST

Mr. COUGHLIN. The budget proposes a low figure for Coast Guard AC&I in fiscal year 1987 and a reprogramming of $190 million deferred from fiscal year 1987. Please justify this request.

[The information follows:]

There are several reasons why we believe the reprogramming request is justified. For both FY 1986 and FY 1987 the projects to which funds are proposed to be reprogrammed reflect higher Coast Guard priority needs than the projects cited in the FY 1986 DOD appropriation conference report. The funds proposed to be reprogrammed to Coast Guard projects in FY 1986 are further needed to restore projects for which funds were cut by last-minute Congressional action on Coast Guard's AC&I appropriation. The net effect of the cuts and the DOD conference report guidance is to create large-scale imbalances in Coast Guard's capital planning, both in terms of priorities and timing.

The proposed reprogrammings, together with the FY 1987 AC&I request, will achieve a more balanced funding level over the two fiscal years, 1986 and 1987, which will avoid the carryover problems experienced with previous DOD supplemental funding (for which Coast Guard has received Congressional criticism) and will enable Coast Guard to strike a better balance between current projects and future needs and to match all projects with more realistic execution and delivery schedules.

Finally, the proposal provides more adequately for the capital needs of the Coast Guard within realistic operating resources by eliminating or postponing highly personnel and cost-intensive projects.

Mr. COUGHLIN. During the past few years, funds for the Coast Guard have come from both this Transportation Subcommittee as well as the Defense Subcommittee.

How do you feel about more of the Coast Guard's budget coming from Defense? Why?

Is this not a proper recognition of their defense role?

[The information follows:]

In general, we would prefer that all of Coast Guard's funding be provided within the DOT appropriation. However, the defense readiness responsibilities of the Coast Guard make them a natural candidate for occasional inclusion within the DOD appropriation to receive funding for special requirements having a direct defense applicability. On the negative side, such funding can create management difficulties in balancing program priorities, executing procurements in a timely fashion and insuring the proper linkage between capital funding investments and follow-on operating costs for that capital equipment. Furthermore, the funding provided through DOD has typically been in amounts in excess of the President's budget, to which the Department and the Administration have generally been opposed.

URBAN MOBILITY BLOCK GRANTS

Mr. LEHMAN. Mr. Pursell.

Mr. PURSELL. Thank you, Mr. Chairman. I will be very brief. First, I want to apologize for being a little late.

I wanted to say to my colleague, Bob Carr, before he left, that I have introduced legislation calling for private sector involvement. We cannot totally depend on the Federal and State government. I think it is a new era of privatization that needs to be developed through public hearings, and I do not think we have all the answers.

My colleague from Michigan was suggesting that maybe there should be some new legislative initiatives in that field, and I want him to know that I have introduced a bill to amend the UMTA Act of 1964, to include the private sector in the formula for new fixed guideway systems. I have had discussions with some business com-

munity leaders who feel that maybe they should participate in appropriate mass transit projects. I wanted my colleague to know that some of us are working in that field, even though it is a new field.

You mentioned earlier—I guess Mr. Coughlin asked a question in regard to the Urban Mobility Block Grant.

Is that part of the Reauthorization Act?

Secretary DOLE. Yes, it is.

Mr. PURSELL. Surface Transportation Act?

Secretary DOLE. It is, right. It would continue the same levels of funding for urban and secondary roads and non-federal bridges, and it would, by formula, fully utilize the penny of mass transit money combined in an Urban Mobility Block Grant.

Mr. PURSELL. Have you sent your amendments to the Hill?

Secretary DOLE. Yes. They were sent, I believe, early last week.

Mr. PURSELL. To the authorizing committee?

Secretary DOLE. Yes.

Mr. PURSELL. Early last week?

Secretary DOLE. I believe that is right, or maybe the week before. It is recent.

Mr. PURSELL. Have you had any written testimony, pro or con, from people in the field—both local officials and the private sector?

Secretary DOLE. Overall, as we put this together, obviously we were in touch with a lot of the people who would be impacted, and I think that there has been, in general, a positive view of providing additional flexibility to the localities to make decisions that directly relate to the needs of the people in that community.

When you visit with Ralph Stanley, he can give you more details on the specific contacts that have been made.

But as you plan for a major initiative of that sort, of course, you are in touch with the people who are going to be impacted. The extra flexibility, I think, has been an appealing aspect of this, where a community really can make a determination about what will best meet their needs.

Mr. PURSELL. Will you be presenting testimony to that committee on those amendments or will Mr. Stanley do so on your behalf?

Secretary DOLE. The Highway Reauthorization Bill, I will be doing that testimony a week from—I believe it is two weeks from—yesterday.

Mr. PURSELL. Okay. Well, that is apparently on the agenda. Is it one of your higher priorities?

Secretary DOLE. Yes. I think we have some very innovative aspects there that really are going to provide a better opportunity for States and for the localities to determine needs, and to utilize money in a more flexible way, rather than going after whatever funds are available, to be sure you get your due. Just going after different pots of money to get whatever is coming to you.

This really does enhance the opportunity for integrated planning, and looking at all aspects of that community's needs, to come up with what is going to fit best, from the standpoint of the community, in the Urban Mobility Block Grant. Then the State, of course, with the Interstate Primary Program, that provides flexibility, can move between the programs.

And we have flexibility between these two programs, to shift money.

Mr. PURSELL. From early reports that I am getting, some people like the concept but they think it is an effort to reduce their funding.

Maybe in your testimony that could be somewhat clarified. Knowing that we have a deficit and knowing that we have scarce resources, that there is a lot of skepticism out there in respect to losing present funding levels.

Secretary DOLE. I certainly will address that. I think that as you look at the funding for interstate construction—for example—it has been cut by $2 billion. We are talking about 3 percent of the system, at this point, that is not completed. Thirteen hundred miles, approximately. And, a longer period of time. Rather than completing the interstate in the early 1990's, it is extended through 1998.

And then with mass transit, we have had a little discussion today on that, and we have reflected that in earlier budgets as well. We do feel that that is more a local matter, rather than a Federal responsibility.

Mr. PURSELL. In conclusion I just want to congratulate you on your leadership in respect to safety programs, especially drunk driving and the seat belt program. I just think that as our Secretary, you have done an outstanding job in bringing safety concerns to the public attention through educational initiatives and public policy decisions.

And I commend you for it. I think it is an outstanding achievement. I believe history will record that as a step in the transportation field that was overdue, and certainly, I think the public is very appreciative of your leadership in this field.

Secretary DOLE. Thank you. I appreciate those comments.

Mr. PURSELL. Thank you, Mr. Chairman.

NEW START TRANSIT FUNDS

Mr. LEHMAN. Thank you, Mr. Pursell.

Your budget proposes to rescind $521 million of fiscal year 1984, 1985, and 1986 new start transit funds.

This rescission is, of course, only a proposal, and is not valid unless Congress approves your request.

With respect to the fiscal year 1984 and 1985 new start funds in this proposal, Congress has already turned down a reprogramming request, disapproved a proposed deferral, and specifically stated that these funds should be available for obligation.

It seems to me that, in view of the previous actions taken by the Congress, your proposed rescission is, at the least inconsistent with Congressional intent and may be, in fact, a violation of the Congressional Budget and Impoundment Control Act of 1974.

The General Accounting Office will be reviewing your rescission proposal for impoundment implications. In the meantime, I think I can safely say that there is, at best, one chance in a hundred that Congress will approve such a rescission, so you should plan on spending those funds.

A separate but related issue is the requirement in the Department of Transportation Appropriations Act for 1986 requiring you to enter into and conclude negotiations for new start, full funding contracts with three cities—Miami, Los Angeles, and Seattle.

Even though funds for these projects are technically frozen until the 45-day rescission clock runs out, I see no reason why these negotiations cannot be completed on schedule as required by law.

Do I have your assurance that you will conduct these negotiations in good faith, notwithstanding the fact that these funds have been proposed for rescission, and that negotiations will be completed within the 90-day timeframe?

Secretary DOLE. Well, Mr. Chairman, Ralph Stanley, the UMTA administrator, has met with each of the three communities' leaders, and his chief negotiator is his chief counsel, who is also in touch with each of the three, and it is moving as intended.

We are moving forward in the 90-day timeframe there to negotiate the full funding contracts. So, that is being done.

On the rescission question, as you say, we have a difference of view there as to the legality, and this is purely a proposal which is, I think, quite appropriate because it reflects the bigger concept here, that we are looking at, in terms of trying to reduce these deficits. The amount of funding that it would require to complete the nine projects would be approximately an additional four to five billion dollars.

So, we have an interesting situation here, where, on the one hand, we are following what the Congress has directed on the full-funding contracts; on the other, we are saying to the Congress, in light of the big picture here, in light of what we are trying to do overall, we feel that these nine, reflecting four to five billion dollars to complete, should be rescinded.

Mr. LEHMAN. But the proposed rescission is not part of the contractural process; it is a separate issue that we will deal with here in the Congress.

Secretary DOLE. Right. But the full funding negotiations are going forward.

Mr. LEHMAN. Mr. Stanley, as you know, is a very able administrator, but the law says that "The Secretary shall". It is your responsibility to negotiate these contracts.

Secretary DOLE. The contracts are going forward; the full funding.

Mr. LEHMAN. Again, will they be completed within the 90-day timeframe?

Secretary DOLE. We will follow the 90-day timeframe on the negotiations, right.

Mr. LEHMAN. That is the answer I wanted to hear. I will now yield to my colleague, Mr. Dicks, from Washington.

SEATTLE BUS TUNNEL PROJECT

Mr. DICKS. Secretary Dole, we are very pleased to have you here today before the Appropriations Committee, and I just want to tell you how important we believe, in the State of Washington, that the Seattle bus tunnel project is, in terms of being a priority.

As we understand it, when UMTA rated these projects, it got the number 1 billing. It was considered the most cost-effective and efficient project, and we are highly supportive of it, and I think it is imperative that we continue these negotiations.

As I understand it, the negotiations and the contract can be entered into subject to, you know, the obvious funding decisions that are going to have to be made by the Congress and the administration in light of Gramm-Rudman.

But it is, in my judgment, very clear that Congress intends for you and your Department to go ahead on these three particular contracts, and then we are all going to have to decide what happens on the rescission.

My judgment is that the rescission is going to be rejected in both the House and the Senate, and that the money will be provided, and then we have to go from there in determining the 1987 funding.

I just want to say that I personally have been involved and looked at this project. This committee has been in Seattle, Members of this committee, and it is really a very high priority. We are building I-90. Right now it is a major project. It is going to bring a large number of buses to the downtown area, and it is very clear that without that, this project, it is going to mean major transportation and congestion problems in Seattle.

So I just wanted to be here today to be supportive of the project, although it is not in my district, and to let you know that Congress clearly spoke on the Continuing Resolution and we would appreciate your active involvement in this contract negotiation process.

Secretary DOLE. Thank you. I appreciate that.

LOS ANGELES METRO RAIL

Mr. DIXON. Thank you very much, Mr. Chairman, for allowing me the opportunity to come also. I certainly echo the words of Congressman Dicks, and you, as it relates to these three projects.

As you know, Madam Secretary, I am from the Los Angeles area and very much interested in the Metro Rail. But in particular, I noticed your response to the Chairman.

The Continuing Resolution uses the language, that "The Secretary shall reach agreement within 90 days," and I am wondering if that is what you meant in your response. That they shall in fact—your agency—reach agreement in these three projects within the 90-day period?

Secretary DOLE. Well, my understanding is that we are to go forward with negotiations and to complete the process, and report back to the Congress during that period of time.

Now I am going to do this in good faith, and that is the best I can do, is to pledge my good faith in moving forward with this, because it is underway now and the negotiations are taking place.

PROGRESS OF NEGOTIATIONS

Mr. DIXON. Well, as it relates to the Los Angeles project, I am wondering if you could bring me up to date as to what progress has actually been made.

It is my understanding, first of all, that there have been two meetings—there may have been more since my information came to me—with the people in Los Angeles, and that at some point in time a suggested contract was offered up by the Los Angeles people, RTD, and that in fact, I guess, Ralph Stanley, the administrator, was to come back with a counteroffer and modifications of that particular contract.

I guess I am interested in the progress. I accept there is a good faith——

Secretary DOLE. Yes. I have no more details on that unless you would like to discuss the questions involving the environmental issues, the specifics.

There are some questions that do have to be answered, but in terms of the meetings, I know that both the administrator and the chief counsel are working with the community, and, as I have said, I will certainly uphold what I am to do under the law as well.

Mr. DIXON. Are those environmental issues part of the contract that would be entered into?

Secretary DOLE. Yes. The methane study is one. Section 321 of the Appropriations Act for 1986.

Mr. DIXON. The methane study. I do not know which one you are referring to, but the most recent one was by a committee selected by the city council, and that has been completed.

I guess what I am wondering, really, Mrs. Dole, is that this is the 19th or 20th of the month, and we are talking thirty days, and I would think that at least if there is a good faith movement, that you could be prepared to say at what stage that good faith movement is, when we only have 90 days, and it is your expression that we are going to reach this target of——

Secretary DOLE. Well, with ongoing negotiations it is a little hard, right in the middle of them, to try to state exactly where you are in those negotiations, but I would be happy to provide as much detail as I can for you.

Mr. DIXON. But is it your clear intent to conform to the CR as it relates to entering and reaching agreement within the 90-day time limit?

Secretary DOLE. We are going to move forward to complete what is required by the law which, as I understand it, is to complete the full funding negotiations, and to report to the Congress within 90 days.

Mr. DIXON. Well, just let me make sure I understand what we are referring to. I am referring to the language in the Continuing Resolution, if I may just read it, so that there is a clear understanding of what we are talking about.

It says that, "The Conferees fully expect the Secretary, and the designated cities, to reach agreement within the 90-day time limit. This deadline may only be extended by agreement of both parties."

So we have a 90-day period to be extended on condition that both parties agree, and then we have what I call remedial action.

"If the deadline is not met, the Conferees expect the parties to report to the House and Senate Committees on Appropriations, on the reasons for any delays, and to continue reporting on the status of the negotiations at regular intervals, until such contract is executed."

That is your understanding, also?

Secretary DOLE. I am going to suggest that we talk this through. I am not going to just make a reaction, based on this conversation. My understanding is that we are to complete that process and report to the Congress in 90 days. I will meet with you and we will parse out exactly what the words mean. I think that is the best way to do this. I want to be sure that we are not misunderstanding each other, in any way.

Mr. DIXON. Well, as I said, this is a project I am very much interested in and I appreciate the opportunity to meet with you on this issue.

Secretary DOLE. Right.

Mr. DIXON. Thanks very much, Mr. Chairman.

PROPOSED RESTUDY OF LOS ANGELES PROJECT

Mr. COUGHLIN. Would my colleague have any comment on our colleague, Henry Waxman's Op-Ed piece, calling for a restudy of the Los Angeles system, or to go back to the drawing boards?

Mr. DIXON. Madam Secretary, he is referring to an editorial piece by Congressman Waxman in the Los Angeles Times, I believe yesterday.

My response to that would be that I am certainly surprised at Congressman Waxman, who pegs his argument, as I read it, on two issues. One, the safety one, which we have time and time again gone over.

In my reading of the reports, there have been no new issues raised by the safety report that was adopted by the city council but a re-digest of the same safety issues. And the second issue is that because the President is opposed, that in fact funding will not be forthcoming. And I think the Chairman has laid, along with Mr. Dicks, the foundation that it has been the clear expression of Congress that these three projects go forward.

That was the thrust of his article. It was to me, a total rehash on the safety issue, and, as you know, we have tried to bend over backwards to meet those concerns.

And secondly, because the President doesn't want it, notwithstanding what Congress has said in the Continuing Resolution, that the President signed, we should give up.

So I just saw it as a reason why he is opposed, and I certainly respect that reason, but I don't think that there was any new evidence concerning safety, and the reason that the President is opposed is not valid in view of the fact that Congress has clearly expressed themselves on it.

Mr. COUGHLIN. He was calling for a blue-ribbon commission to be appointed, or something like that, as I understand it.

Mr. DIXON. Well, I guess one way to delay anything that you are not for is to call for another study, and we have called for another study and called for another study, and obviously Mr. Waxman feels, since he is opposed, that it would be great if he could get another study going.

Mr. PURSELL. That is a very unusual coalition, Henry Waxman and the President of the United States.

Mr. DIXON. That is what surprised me, Mr. Pursell.

Mr. LEHMAN. Mrs. Dole, you used the words "complete negotiations," and the law says "reach agreement" within 90 days. Are those terms, in your mind, synonymous?

Secretary DOLE. Mr. Chairman, I would really prefer to sit down with all of you who are interested and work through this.

I want to read that language carefully, myself, but I will fulfill whatever the statute requires.

I would like the opportunity to look at the language and talk to my legal folks.

MIAMI MASS TRANSIT PROJECT

Mr. LEHMAN. You said you would be negotiating in good faith, and we will have to take your intentions in good faith also, but I visualize that the intent of the law is that a contract must be ready to be signed. The law does not specify the preconditions of the contract, nor the safeguards of the contract, but some kind of a contract must be ready to be signed in 90 days to comply with the intent of the law. Now that leads to a followup question.

As you know, it is sometimes very difficult from where we sit to get two other people together. We are trying to help in any way we can to bring UMTA, and the property in our district together.

We know you cannot control the schedule for the full funding contract negotiations as long as non-DOT parties are involved. However, let me recount for you what has happened on the Miami contract.

On December 20th, the day after enactment of the Department of Transportation Appropriations Act of 1986, the Dade County transportation administrator, Executive Director Joe Fletcher, wrote to Ralph Stanley to formally request a full funding contract and to seek a meeting to get negotiations promptly underway.

UMTA did not reply to that letter. The meeting only took place on January the 6th because at that time I was able to track Mr. Stanley down at the Doral Hotel. When I got in touch with him, he cordially did agree to meet with us.

I went into the meeting, then I left as I did not want to get involved in the negotiations. I brought them together and then walked away.

The people from Dade County, the manager, and the head of the Transit Department met with Mr. Stanley as well as the County Commissioner.

On January the 10th, Mr. Fletcher again, as a followup of that meeting, wrote to Mr. Stanley to confirm agreements made at the meeting, such as designation of the lead UMTA negotiator, that UMTA would promptly send examples of recent full funding contracts, and to propose a meeting to draft the Notice of Intent for the EIS, which would not be published by the deadline in our bill without speedy action.

This letter was sent by same-day mail and followed by telephone calls that day. Mr. Stanley was not available to talk with Mr. Fletcher, and his staff apparently had not been told how to handle any of these issues.

Accordingly, Mr. Fletcher wrote Mr. Stanley again on January the 14th, providing a draft Notice of Intent.

This letter, too, was delivered the same day and followed by a phone call which was not returned.

UMTA actually published a Notice of Intent on January 21st, just after the deadline, but Dade County was not consulted in the drafting; in fact the Notice contained an old address and phone number for the County's contact person. You know, we moved the whole Metro Commission from one side of the railroad track to the other. So they had their old address on that. Finally, on January the 27th, Mr. Stanley did answer Mr. Fletcher's January the 10th letter, and sent the model contracts, and designated the lead UMTA negotiator.

By then, the County had obtained model contracts from other sources, and, on January 31st, MDTA sent UMTA a draft full funding contract as a basis for beginning negotiations.

There have been two meetings on this draft but my impression is that very little progress has been made.

Madam Secretary, Dade County has made every effort to get and keep the negotiations going.

The ball has been continually in UMTA's court, and I just wonder whether there is a problem at the UMTA end.

Mr. Stanley has been away from his office a great deal of time. I do not know what he has been doing, but apparently it has been very difficult for our people in Miami to reach him. I just wonder if this scenario sounds to you as if UMTA is really doing their job in good faith as you say you are trying to do?

Secretary DOLE. Well, I think first of all, that Ralph Stanley might have a little different characterization of the events. But nevertheless, let me just say that I will be glad to facilitate the process here, and as I have said, I will certainly do this in good faith.

Mr. LEHMAN. Give it your personal attention and direct your staff to work for better cooperation?

Secretary DOLE. Yes.

Mr. DICKS. Mr. Chairman. Excuse me.

Mr. LEHMAN. Go ahead, Mr. Dicks.

RELEASE OF WASHINGTON STATE PROJECT FUNDS

Mr. DICKS. Well, Mr. Chairman, I wanted to follow up. Secretary Dole, knowing of your deep respect for the Congress, I am going to accept your word as you have given it here today.

I just would like, for the record, to characterize some of the questions that our people in the State of Washington have about this process up to this point, just as the Chairman has.

What is worrying the people in our State is that UMTA has taken the position that Metro must agree to finish their project with local money, in exchange for UMTA's release of the $24.6 million that Congress appropriated for the project in fiscal year 1986.

And frankly, our people do not think that is fair. They believe that Congress provided this money, and that what UMTA is asking for, basically, is unreasonable, and again, this is a question of the good faith negotiating. Is this in fact good faith negotiating? My own judgment is that it comes up somewhat short. Metro, by the

way, has come back and said that they have a willingness to leave the level of future funding up to the Congress, but has insisted that UMTA agree to release funds made available by Congress for the project.

And, this linkage of saying, you are going to have to provide all the money locally in order to get the $24.6 million, I do not think is fair.

Now I guess what we really have to try to get an answer to today is, if Congress rejects the rescission of the money that has been provided. I mean, I assume then you are going to have to go ahead and commit that money, is that not correct?

Secretary DOLE. Well, first of all, we are going to present the rescission. This speculating, and going on record with an absolutely flat, firm statement, when we have at least two steps going here. We have got the full funding and the negotiations that are underway there, and I have said that I will do that in good faith.

I will bring together the parties and we will find out what is happening here, and we will work together.

The other is that we are presenting nine projects for rescission because we do believe that the extra $4 to $5 billion that it would cost the taxpayers is something that we have to present in our overall concerns about the deficit. The fact that, frankly—well, we can go on down the line of the general concerns on this—but there have been about twenty projects suggested that benefit a few at the expense of all taxpayers.

And we do have concerns about the amount of money. There are fifty projects, altogether, that are being looked at, that would cost about $20 billion.

And so somehow we have got to get a handle on this. We are going to be presenting our concerns about these projects, about the overall picture.

Mr. DICKS. But of course those projects are funded over——

Secretary DOLE. And we will have to see what the Congress does.

Mr. DICKS [continuing]. Over a number of years. I mean, it is not all coming in one year; the actual outlays occur over a period of time.

Secretary DOLE. It is a tremendous amount of money, when you are looking at deficits, that the Congress has now committed itself to try to bring down to $144 billion, which is still a long way from being zero, in 1987. But we have a number of concerns. We want to present those to the Congress, and hope that we can urge that these views be taken seriously, and looked at and dealt with in light of the deficit problem.

At the same time we have a commitment to move forward and to do a full funding negotiation, and I will in good faith do that and I will be glad to meet and talk with you about it in more detail.

I really am not going to lay statements on the record today without looking carefully at the language and the——

Mr. DICKS. I understand. I would not expect you to do that. But I would expect you to have a subsequent meeting with those of us who are interested, so that we can work this out, and so that we can get into this in more detail.

The only thing I would say is that these are two separate matters and it is up to the Congress to decide how we get down to that $144 billion deficit-reduction program.

And based on what CBO has said to us just yesterday before the Defense Appropriations Committee where I serve, the deficit does not look like it may be as large as it was anticipated.

So maybe the cuts will not be as onerous as we had previously thought and so I just think these are two separate matters. But I do think there has to be good faith bargaining between the two people, between the two sides, and I think that is what is mandated under the language and your involvement.

See, the other thing is that this is not just something Mr. Stanley is involved in. This is something that the language says the Secretary shall be responsible for.

So we wanted to just make sure that——

Secretary DOLE. I understand your concerns.

Mr. DICKS. That is one I do not think there is any ambiguity about. Thank you, Mr. Chairman.

Secretary DOLE. Thank you.

ENVIRONMENTAL IMPACT STATEMENTS

Mr. LEHMAN. On the outyear deficits that you speak of, the full funding contract depends on the availability of funds.

If there are no funds available, the full funding contract still goes on until such funds become available, but the lack of or difficulty in obtaining future money should not prevent the signing of a full funding contract as designated by the law.

I just have one other issue that I would like to bring to your attention. This just came up yesterday and it is in regard to the environmental impact statement.

It seemed that the proviso in Section 335 of our 1986 bill, "That the absence of a federally-approved environmental impact statement for this project shall not preclude or delay the negotiations required under Section 320 of this Act,"—I understand that UMTA is, at the present time, using the lack of an environmental impact statement as a reason for not moving forward with this full funding contract.

I guess what I am really trying to do is, at your next meeting with Mr. Stanley I think we ought to have a clarification of this. The law states that the lack of an environmental impact statement shall not preclude the negotiation of this contract. That is the message I would like for you to take to Mr. Stanley, and I hope you will.

Secretary DOLE. Right. As you know, that the Notice of Intent to prepare an environmental impact statement was published on January 21. I understand your message. Right.

Mr. LEHMAN. I think you have done very well, and I will now reward you with a five minute break. Over the three years you have hung onto your job, I am almost afraid to ask you a question.

[Laughter.]

[Recess taken.]

NEED FOR SUPPLEMENTAL

Mr. LEHMAN. Let me just revisit briefly this supplemental problem that we touched on before.

I'm not as sanguine as you are about the supplemental. I was at the full committee hearing when Mr. Miller of OMB said outright "no supplemental".

I have read carefully the ominous statements of Admiral Engen of the FAA and Admiral Gracey of the Coast Guard which deal with matters of life and death.

What have you received from OMB, if anything, that says they would permit what you call a non-monetary supplemental at this point, and if nothing, when can you provide us with some kinds of documentation that this change of position is forthcoming?

Secretary DOLE. Well, first of all, just from my own discussion with the Cabinet earlier when I indicated that if I did find a negative impact, I would be back seeking OMB's assistance in making this kind of change between accounts.

Also, a letter here from Carol Crawford, who is the associate director, reacting to a letter that I had sent, saying that they may be willing to consider proposals that shift funds among accounts. If this were to occur, they would undoubtedly ask the Department to insure that the aggregate sequestration reduction be maintained and that the operating accounts absorb a significant portion of the 4.3 percent reduction.

So, indicating that, yes, we could sit down and work through it at the appropriate time, and that's where we are.

Mr. LEHMAN. I think it is necessary for this subcommittee to learn as soon as possible when this will take place, and if it does take place, from what accounts are you going to get this money.

Secretary DOLE. I will be delighted to work with you on that.

Mr. LEHMAN. Because if it is coming from accounts that we disapprove of you taking the money, then we might want to consider our own supplemental bill that deals with the problems of the FAA and the Coast Guard. Because these are not political problems; these are problems as delineated by both Engen and Gracey as matters of life and death. This is something we can't play around with, and I take it you agree with me on that.

Secretary DOLE. Absolutely. Right.

Mr. LEHMAN. I'm also a little bit uneasy about reprogramming money from, as Mr. Carr said, from R&D and from the facilities and equipment. We're borrowing from the future to operate the present, and I would like to go forward with those kinds of future capabilities that we need both in the Coast Guard and the FAA.

Secretary DOLE. And maybe there will have to be a broader selection of accounts, rather than within the FAA. So, I understand that you do want to——

Mr. LEHMAN. Hopefully you'll find that money. If not we'll just have to work out a different kind of supplemental, but we can't play with people's lives, and you know that and I know that.

Secretary DOLE. Right.

GRAMM-RUDMAN LEGISLATION

Mr. LEHMAN. The Gramm-Rudman legislation states that funds which have been sequestered are "permanently cancelled". I noticed in reviewing your fiscal year 1987 budget, in some instances you have requested a restoration in fiscal year 1987 of the reductions made in fiscal year 1986 while in other instances you have not requested restorations.

On what basis were these decisions made?

[The information follows:]

While it is true that FY 1986 funds sequestered on March 1 were "permanently cancelled," this action did not impose any legal constraints on our FY 1987 request for new funds. In certain cases our FY 1987 request exceeds the reduced FY 1986 levels, but in most cases the levels are reduced in order to help attain the Gramm-Rudman FY 1987 deficit target. For the most part, any significant increases in 1987 were limited to our many safety initiatives. I have assigned top priority to them and I intend to protect them. Examples are: Motor Carrier Safety Grants, FAA safety inspectors and controllers, and RSPA's hazardous materials program.

Motor Carrier Safety Grants will be increased from $16 million to $50 million, and we will begin a doubling of the field staff of motor carrier safety specialists in the Bureau of Motor Carrier Safety. With these changes, we will refocus our motor carrier safety activities: States will have primary responsibility for roadside inspections; Federal efforts will focus on motor carrier audits and education and monitoring of problem carriers.

The budget reflects my commitment to increase FAA's safety inspector workforce by 138 and to increase the number of air traffic controllers by 500, as well as to maintain the current level of aviation security inspectors.

The operations account in the Research and Special Programs Administration, which is largely devoted to improving the safety of hazardous materials transportation, will increase by over half a million dollars. Much of this increase will be for publication of the Emergency Response Guidebook.

One exception of a significant increase where a safety initiative is not predominantly involved is in Coast Guard's operating expenses, where priority activities such as drug interdiction and search and rescue are involved.

Mr. LEHMAN. As you know, if a $144 billion deficit level is not achieved by Congressional action on the fiscal year 1987 budget, the Gramm-Rudman amendment, assuming it will be upheld by the Supreme Court, will require across-the-board reductions on October 1 to reach that level.

Since many of the reductions the President is recommending for the Department of Transportation as well as for other domestic agencies are essentially the same as those that have been proposed and rejected in the past, it is possible that we could be faced with rather large amounts being sequestered this coming October.

What would be the impact of a 12 to 15 percent fiscal year 1987 sequester on the FAA, Coast Guard, and the other administrations within the Department?

[The information follows:]

There would be a serious adverse impact on a number of important DOT programs if sequestration were allowed to occur in FY 1987. For this reason, we support an overall reduction of almost 20 percent below FY 1986, in order to meet the Gramm-Rudman target and thereby avoid arbitrary cuts. Examples of some unacceptable results of an assumed FY 1987 across-the-board 12 percent cut from the enacted 1986 levels, compared to DOT's FY 1987 proposal, include the following:

Federal Aid Highways would have the same budget authority as proposed in our 1987 budget, but the program level would be $1.6 billion lower, because of the obligation limitation.

We would not be able to support the additional 150 BMCS specialists that we propose to start hiring in 1986, and motor carrier safety grants would be only $15 million instead of $50 million.

Only a fraction of the penny tax that goes into the Mass Transit Account of the trust fund could be used, while the general taxpayers would still have to pay more than $2.2 billion for transit.

INCREASE IN GASOLINE TAX

Mr. LEHMAN. I know that the President does not agree, but more and more people are taking a serious look at increasing our revenue base to meet part of our obligation to reduce the deficit.

One of the principal tax changes being discussed is a significant increase in the gasoline tax. The White House of late is reported to be softening on the position of no tax increases—if such increases are to make up for other tax decreases in a "revenue neutral" tax reform bill.

What do you think of the idea of scrapping the "user fee" concept of the gasoline tax and depositing any new revenues in the general fund, as some have proposed?

Secretary DOLE. Well, Mr. Chairman, I would not favor doing away with the trust fund concept. The administration is not proposing to abolish any of DOT's trust funds, and we have not considered it as an option in our budget deliberations.

If a proposal were introduced by the legislative branch, we'd have to give the pros and cons careful consideration before developing a position. But I think your question suggests concern about efforts, both by individuals within Congress and by special interest groups, to build fences around pieces of the budget and shield them from the deficit reduction process.

We share that concern, and we see it as a strong argument for eliminating special subdivisions of Treasury assets.

It becomes an even stronger argument in those cases like aviation, where the programs intended to be financed by the trust funds are also drawing heavily on general tax revenues.

I have been, on the other hand, a very strong advocate of user fees. No question about it. We're going now from 69 percent, hopefully, to 84 percent.

Mr. LEHMAN. If I can restate what I think I'm hearing, you will not support a gasoline tax, a fuel tax, that will go into the general fund?

Secretary DOLE. I have not focused on that. We have not contemplated that in the budget, and I would say only that I have no plans at this point to move in that direction. That's not been a part of any of our discussions to date.

Mr. LEHMAN. Your predecessor did the five cent gas tax, and maybe you can do a five cent gas tax while you're in the office.

Secretary DOLE. I have no plans to do that.

ACROSS-THE-BOARD BUDGET FREEZE

Mr. LEHMAN. We'll never have a better time than now with the price of oil like it is.

Last year we discussed the fact that total transportation spending was decreasing in relation to the rest of the budget. The budget you are proposing this year will continue that trend.

Outlays for your department have decreased from 3.3 percent of the budget in fiscal year 1981 to an estimated 2.3 percent in fiscal

year 1987, and are projected to drop to 1.8 percent by fiscal year 1991.

With your Department continuing to receive a smaller share of the total budget, would there be more funds available for transportation if we just froze your programs at the fiscal year 1986 level, even if this would mean a 12 percent sequestering in fiscal year 1987?

Secretary DOLE. If I'm hearing you accurately, what you're saying is just freeze us across the board. Is that right?

Mr. LEHMAN. If we just froze the whole DOT budget.

Secretary DOLE. The 1987 budget? Or the one I'm under in 1986?

Mr. LEHMAN. Make the 1987 budget at the 1986 level.

Secretary DOLE. The budget that I've submitted is the one that I think reflects appropriately the needs that we have moving into the next year.

Mr. LEHMAN. I anticipated that answer. I think that would have to be your answer under these circumstances.

What disturbs me is this 3.3 percent is going to go down to 1.8 percent. All of a sudden, the whole Transportation Department seems to be disappearing in front of our eyes. You remember Alice in Wonderland and the Cheshire Cat, when all of a sudden the only thing left is the smile?

And you have a nice smile.

[Laughter.]

Secretary DOLE. Well, we could go back again into the specifics of where those cuts are, but I think we have had pretty good opportunity to work through those.

TRUST FUND EXEMPTION FROM GRAMM-RUDMAN

Mr. LEHMAN. Of course, last year the House rejected an effort put forth by the authorizing committee to take Highway Trust Fund and Airport and Airway Trust Fund programs off budget.

The administration opposed this provision, as I did. Would you expand on your reasons for opposing this provision, and give us your assessment of how taking these trust fund programs off budget would affect general funded transportation programs such as the Coast Guard or FAA operations?

Secretary DOLE. To take—are you speaking of taking them off budget?

Mr. LEHMAN. The Highway Trust Fund off budget, and the Airway Trust Fund off budget.

Secretary DOLE. Exempting them from Gramm-Rudman, or taking them off?

Mr. LEHMAN. If they're off budget, would they be exempt from Gramm-Rudman?

Secretary DOLE. I don't think so. But in either instance, I would not favor doing that, because I think we have to have an approach whereby the entire Federal spending and its impact on the economy through a unified approach, a unified budget, can be viewed.

As I mentioned earlier, the dedicated source of funding here, ultimately these funds, will be utilized for the purposes for which they are intended. But it's a matter of their contributing at this stage to try to bring down the deficits, and I think that's appropri-

ate, whether the funds are from general revenues or from trust funds.

But I do think the unified approach is important, and we should not take them off budget.

Mr. LEHMAN. We are together.

Secretary DOLE. Okay.

Mr. LEHMAN. Please expand upon your answer for the record.

[The information follows:]

I believe that all the funds in the Treasury belong to the people of the United States—the taxpayers—and that when the Nation has fiscal problems, all who can afford to do so should assist in the solution of those problems.

The federal government has a trillion dollar budget, and somewhere between 55% and 60% of it is already exempt from Gramm-Rudman. We have no problem with that. The Act exempts interest on the debt, social security, and other "safety net" programs for the elderly, disabled, sick, underprivileged, or hungry, and these are compassionate or humanitarian exemptions.

The exemptions being proposed for DOT do not fall into this category. They are based on statutes that provided taxes on specific goods or services to pay for needed Federal programs. To insure that these programs survived at least as long as the taxes, trust funds were established, essentially earmarking the related tax funds in the Treasury to insure that they could be spent for no other purpose than provided in the accompanying authorizing legislation. Perhaps to provide an incentive for spending these funds expeditiously, the statutes provide that the trust funds also be periodically augmented by payments from the general fund. There are differing views as to the validity of these so-called "interest" payments, but whether they are properly defined as interest, penalties, incentive, or contributions, the facts are that they account for about 10% of highway receipts and 20% of aviation receipts, and that they do not come from the gas pumps or ticket counters, but from the general taxes paid by the public on April 15.

Regardless of the sources of these trust funds, however, we are taking the position that the existence of earmarked funding is not by itself cause to take any piece of Federal spending programs off budget or to exempt these program from Gramm-Rudman-Hollings.

If this were to happen, it would be easy for other interested authorizing committees to rationalize putting aside their piece of the Treasury: for example, a percentage of income taxes to fund IRS, putting aside customs taxes to fund the U.S. Customs Service, excise taxes on fire arms to fund the FBI, alcohol taxes to fund cancer research, etc. In the extreme, this would leave DOD, the VA, and the farmers to deal with the deficit. They just can't do it by themselves.

To illustrate the effect of the proposed exemptions, the Department now has nearly $22 billion in appropriations and nearly $25 billion in outlays on the table in 1987, and there is $5 billion in programs not proposed to be funded. While we would hope to get the budget enacted as proposed, there appears to be some room for tradeoffs if Congress can't accept 100% elimination of the unfunded programs. If, however, you suddenly exempt all user-funded programs, we have only $3.5 billion of proposed general fund programs within which Congress would have to offset any adjustments. That doesn't leave much flexibility.

While not supporting total exemption for trust fund supported programs, I support the concept of user fees, see a benefit for displaying some connection between these fees and the programs they support in the budget, and am proposing a 4-year funding level which (even after a 20% Gramm-Rudman-Hollings cut) spends all the highway and transit tax moneys collected (but not the interest) on programs for which they are authorized. That is our "deficit neutral" policy on trust funds.

MASS TRANSIT

Mr. LEHMAN. As was the case in fiscal year 1986, you are proposing major reductions in the urban mass transportation budget. Under your proposal, more than $3 billion of transit grants would be replaced by a $1.2 billion transit block grant. Last year, you were unable to present any analysis of the impact of the proposed funding reductions in urban mass transportation in terms of serv-

ice reductions, jobs, economic impacts, environmental impacts, et cetera.

Have you conducted any analysis of the impact of your proposals this year? And if so, what does it indicate, especially as to the impact on the elderly and the poor?

[The information follows:]

We believe that our legislative proposal need not lead to any adverse impacts. First, the enhanced flexibility we are proposing in our Urban Mobility Block Grant proposal will allow States and localities to better target the available funds to the highest priority projects. Thus, in an area where transit is important, funds from the Highway Account part of the Block Grant, beyond the $1.2 billion from the Mass Transit Account, could be used for transit. Second, States and localities, which are enjoying generally good fiscal condition thanks to the extended period of national economic growth, could increase transit funding in areas they felt needed additional funds. State surpluses in 1986 are estimated to be over $7 billion. Fifteen States have cut taxes. Third, localities can look to increased use of the private sector for transit through contracting out service and maintenance. Areas have saved 20 to 60 percent of operating costs when contracting service. Fourth, we are proposing to continue operating assistance in areas under 200,000, which have typically used a greater proportion of their Federal assistance for operations. Fifth, our proposal to expand the definition of associated capital maintenance items to include all tires, materials and supplies (except fuel) should give added flexibility in use of Federal capital assistance and ensure that maintenance is not neglected. If these measures are taken, reductions in service and other adverse impacts can be avoided.

Our legislative proposal will not have a disproportionate impact on the elderly and poor. Elderly persons make up about the same share of transit users as of all urban tripmakers. Thirty percent of transit users had income below the poverty line (about $10,000), with 30 percent having incomes between $10,000 and $20,000 and 40 percent over $20,000. And, while persons in households below the poverty line use transit twice as much as other persons, this still amounts to only 7 percent of all trips by these persons. Because persons in higher income households typically make longer trips, and do so at peak hours when transit is more expensive to provide, persons in households with incomes over $10,000 receive 76 percent of the benefits of Federal transit subsidies while making 70 percent of the trips; persons in households below the poverty line get 24 percent of these benefits while making 30 percent of the trips.

FORMULA GRANT DISTRIBUTIONS

Mr. LEHMAN. On January, 24, 1986, UMTA published the distributions of the formula grant appropriation for fiscal year 1986. Why did it take UMTA a month to make these formula distributions when other DOT agencies, such as the Federal Highway Administration, apportioned their formula funds immediately after enactment, and why were only 50 percent of the funds made available for obligation—are there staffing or management problems in UMTA that should be addressed?

Were the obligations of any of the Department's other formula grant programs similarly limited to 50 percent?

[The information follows:]

The Federal Highway Administration apportionment factors are based on census/population statistics, which only change every 10 years. UMTA apportionments are based on Section 15 data, which include route and revenue miles and other transit data submitted by transit authorities. Late submission of these data, plus complexities in the formula itself, delayed the distribution of UMTA formula grant apportionments.

All but two Transportation Department appropriations traditionally apportioned on an annual (i.e., lump sum) basis were apportioned in the first and third quarters to preserve maximum flexibility in deciding the specifics of Gramm-Rudman-Hollings reductions for FY 1986. The administration wanted to avoid the situation where grants were made, and then recalled.

TRANSIT BLOCK GRANTS

Mr. LEHMAN. Would you explain how your proposed transit block grant would be distributed and indicate why these funds would not be available for operating assistance in the larger metropolitan areas that are the most dependent on public transportation?

[The information follows:]

The funds from the Mass Transit Account would be distributed as follows. From the total amount ($1.22 billion), takedowns for planning ($30.5 million), elderly and handicapped [16(b)(2)] ($35 million), research ($19.5 million) and administration ($26.8 million) would be subtracted. The planning and elderly and handicapped funds will be distributed based on the current administrative formulas. The remainder ($1,108.2 million) would be distributed using the Section 9A and Section 18 formulas and combined, together with the Highway Account funds, into a single block grant to the State. Those amounts attributable to areas over 200,000 population (a total of about $980 million from the Mass Transit Account and $540 million from the Highway Account) must be spent in those areas. The remainder may be used anywhere within the State.

We believe that operating assistance is not the responsibility of the Federal government. When fares, service levels and labor compensation rates are set at the local level, the responsibility to pay for the costs incurred as a result of these decisions should rest at this level. In addition, the availability of operating assistance has allowed costs to skyrocket because it has relieved local officials from bearing the full burden of the results of decisions on these factors influencing costs.

We believe it is appropriate to retain operating assistance for areas under 200,000 since they, in fact, have relied on Federal assistance to a greater degree and have less flexibility to replace these funds than larger urbanized areas. The Federal share of operating costs nationally averages about 8%. Areas over 1,000,000 cover 6 percent of their costs with Federal operating assistance while areas under 200,000 use about 27 percent.

PRIVATIZATION GUIDELINES

Mr. COUGHLIN. Mr. Chairman, before we move on to aviation, I have a couple of questions on transit.

Mr. LEHMAN. Any time.

Mr. COUGHLIN. In the conference of the House and Senate Appropriations Committees on the FY 86 continuing resolution, the conferees gave UMTA the following directive in relation to privatization. And I quote: "The Conferees agree that the extent of private sector involvement in the provision of public transit is best decided at the local level.

The Federal policy under the existing act relating to the choice of service providers is one of neutrality. The Conferees expect that explicit policy on privatization and the transit industry to be explored by Congress and decided only after appropriate rulemaking with the opportunity for public comment.

While such rulemaking is under way, it is the Conferees' view that conditioning the release, allocation, or level of Federal transit grant funding on a showing by applicants of a certain level of involvement of private sector providers in the provision of mass transportation services is not consistent with the UMTA Act." End quote.

UMTA recently sent out guidelines to local transit authorities which required them to supply you with extensive documentation and proof that for each function they performed, the function could not be performed more effectively by the private sector.

If they do not do this, the authority faces a cut off in Federal assistance.

What I would like to know is how can you reconcile these guidelines with the provisions given by the joint committee?

Secretary DOLE. First of all, no regulation is involved. The Department has provided guidance, requested by the transit industry, on what is needed to comply with sections 3E, 8E, and 9F of our Act. Basically it's a matter of encouraging communities and grantees to look to the private sector, because we found in studies that 20 to 60 percent savings can be achieved in many instances if the private sector has an opportunity to be involved in the competitive bidding. No quota. Nothing of that sort.

I think looking to the future here, as we presented the fiscal year 1987 budget and the Highway Reauthorization bill, we have proposed reserving a small amount of service for competitive bidding, about five percent in 1987, ten percent in 1988, 15 percent in 1989, and 20 percent in fiscal year 1990 that would be open to competitive bid. But that is not a quota. It's not that five percent, say, of your service in fiscal year 1987 must be in the private sector. It's only that five percent of your services would be open to competitive bid by public and private operators. Period. So it's not a rigid quota.

Mr. COUGHLIN. You're saying there is no threat of cut off of funds if these guidelines are not met?

Secretary DOLE. That's right. They're purely guidelines outlining the information the Department needs to make findings required by statute. It's not a rule.

Mr. COUGHLIN. I note section 3(j) of the guidelines describes the paperwork the agency must maintain in order to document private sector participation in their decision making process. Have you any estimate of the cost to maintain this sort of paperwork?

Secretary DOLE. I really don't. I'll be glad to submit that for the record.

[The information follows:]

The additional cost, if any, to retain the records discussed in section 3(j) of the guidelines would be negligible. This Section merely states that an UMTA grantee's routine public records should be retained for reference in the event of a complaint being filed. The records in question are merely the normal documents retained by any responsible public body, such as the minutes of board meetings, copies of official submissions, copies of correspondence, and the like. There simply wouldn't be any appreciable cost since a responsible public body would retain this type of information as a matter of routine.

Mr. COUGHLIN. I wonder how that reconciles with our efforts to reduce paperwork.

Secretary DOLE. I think overall, we're talking about a concept which to me makes a great deal of sense, to provide the opportunity for the private sector to be involved in the competitive bidding.

But I'll be happy to try to nail down exactly what that produces in the way of paperwork. But it is certainly not a rigid thing. It's a guideline trying to increase involvement. And the highway reauthorization bill, with the 5% to 20%, I think, lays out exactly what we're intending to do in the next four years.

"BUY AMERICA" PROVISIONS

Mr. COUGHLIN. I'm also concerned about the proposed repeal of the "Buy America" provisions in the administration's Surface

Transportation Reauthorization Act of 1986. And I would like to know something more about the rationale on this. Had DOT analyzed the impact that eliminating the 51 percent American content provisions would have on the domestic suppliers of rail transit equipment? This provision has helped them hold off predatory foreign suppliers who are able, from protected exclusionary markets, to sell at less than cost—maintaining employment rather than profit levels.

Can you comment on why you're proposing to eliminate those "Buy American" provisions?

Secretary DOLE. The major point there is that "Buy America" is inconsistent with the administration's larger trade policy goal of reducing barriers to the free flow of trade, which, of course, we feel very strongly about.

The legislative proposal to delete "Buy America" is consistent with the policy of moving away from such protections, and under current law the Secretary cannot obligate funds unless steel and manufactured products used are produced in the United States.

This does not apply if the application is inconsistent with the public interest, or if the cost of components produced in the U.S. is more than 50 percent higher than the foreign costs, or if the use of domestic materials increases costs by more than 10 percent for rolling stock, or 25 percent for all other work.

DOT is one of several agencies that's exempted from the government procurement code of GATT, the General Agreement on Tariffs and Trade. But the administration is going to seek to reduce the number of exempted agencies in the 1986 round of GATT negotiations.

We are trying to be consistent with broad administration policy in this area

Mr. COUGHLIN. I know the President has called for a level playing field in this area. Do you think that giving the foreign manufacturers a carte blanche entry into our domestic market will encourage Europeans, and Japan and other countries to open their markets to our products?

Secretary DOLE. The administration has a number of efforts underway in a number of different areas with regard to trying to get other countries to open up their markets

All I can say is that as we looked four years out with the new Highway Reauthorization bill, we felt we should be consistent with administration policy across the board.

Mr. COUGHLIN. I guess I do get concerned about exporting more American jobs overseas, which is an awfully easy thing to do, particularly when we're not getting equal treatment in reverse.

Secretary DOLE. The amount of time that we spend in the Economic Council on trade matters and trying to get our trade partners to open up their markets, et cetera, is enormous at this point in time.

So we are moving on this, on many different fronts, to try to encourage some change in policies.

Mr. COUGHLIN. I'm glad to hear that. I think that's awfully important.

Thank you, Mr. Chairman

Mr. LEHMAN. Thank you, Mr. Coughlin. By the way, we have our county manager here with the contract in his pocket if you're ready to sign.

[Laughter.]

AVIATION SAFETY

Mr. LEHMAN. It was reported in December that a Dallas Herald-Times survey of 1,212 commercial airline pilots showed that: two-thirds of the commercial pilots surveyed believe U.S. air travel has become more dangerous since deregulation took effect seven years ago; half believe airline maintenance and the quality of new pilots have declined; and, one-third believe the quality of air traffic control has worsened.

I find it alarming that so many pilots believe the state of aviation safety has deteriorated since deregulation. You have directed several special aviation studies and safety reviews since you became Secretary.

What is your assessment—is the system more dangerous than it was before deregulation? And are U.S. airlines emphasizing profits at the expense of safety?

[The information follows:]

In 1984, the Secretary of Transportation directed implementation of the National Air Transportation Inspection Program (NATI) and set up a Safety Review Task Force to review the Department's safety programs. The Safety Review Task Force report of August 1985 on the FAA's Flight Standards Safety Program stated that its review and the NATI review indicated that the air carrier industry is adapting well to the environment created by rapidly accelerating technology changes and fewer competitive restraints. The Task Force report goes on to state that both NATI and the Task Force reviews indicate that no diminution of safety has occurred since deregulation. In fact, accident rates have improved since deregulation. Based on all of our reviews, there is no evidence to suggest that the system is more dangerous than it was before deregulation or that U.S. airlines are emphasizing profits at the expense of safety. However, the FAA is aware of the potential impact that intense competition may have on existing margins of safety. Consequently, FAA is increasing its vigilance through institution of a routine indepth inspection program. The $1.5 million fine recently levied against American Airlines reflects a resolute attitude on the part of the FAA to ensure that airlines comply with safety regulations.

ARROW AIR ACCIDENT

Mr. LEHMAN. Of course, we were all shocked and saddened by the crash of the Arrow Air DC-8 last December, in which 256 soldiers and crew members were killed. As we understand it, the FAA has jurisdiction over these charter flights and the Military Airlift Command relies on the FAA to make inspections of these chartered aircraft and to certify their safety.

It has been reported that although Arrow Air was one of 16 airlines receiving significant penalties after the "white gloves" inspection of 327 air carriers in 1984, the FAA considered those violations to be of a "bookkeeping and paperwork" variety that had "nothing to do with the operations of the carrier".

Are you satisfied that the FAA did its oversight and inspection job properly as it relates to Arrow Air?

You inspected 327 carriers. How many carriers do you have altogether?

Secretary DOLE. We did 14,000 special inspections in the NATI program. I don't have the exact number of carriers.

Mr. LEHMAN. These are 327 commercial airline companies?

Secretary DOLE. Yes. I'll get you the details on that. It was over and above the normal inspections, and it's about 14,000 additional inspections, and then we identified 43 carriers that needed to go into what we call "Phase II" of the NATI program, where concerns have been raised and we needed to go in depth into inspecting those 43 carriers. Arrow was one of those, because we found at that time—or FAA did—that there were, for example, problems in maintaining the books. Some of the maintenance had been deferred longer than it should have been, and things of that sort.

So that was given very, very in-depth review, and the problems that arose were corrected. Now, over this past year, from January 1st until early December, there were 226 surveillance contacts between the FAA and Arrow Air—226. So, it certainly is not a matter of making the assessment, getting the corrections, and then backing off. They were followed all through the year.

The inspection program, overall, as a result of my NATI review, my review of our inspection program, my safety task force review, all of this together produced a number of opportunities, I think, to streamline the system, and we have changed to a system where we are targeting airlines where we find a problem.

For example, you remember the penalty that was assessed against Western Airlines. This involved going into every aspect of their operations, and other airlines know that they are susceptible to the same kind of in-depth review.

Also, we're targeting where there appears to be some pattern that could have an adverse impact on safety. We are targeting, for example, military charters, and Arrow came up as the first. And also engine maintenance.

So this will go forward with these kinds of special target areas, and others, as we ascertain where there are particular needs. We have revamped the system so that there is a national office, rather than regional offices having their own work plan and their own timetable and their own priorities. It's tied together in a much more efficient national plan, with these kinds of aspects of the work plan that I just suggested.

We have now grounded the DC–8's where it was found that there were parts that had not been approved.

Mr. LEHMAN. I know, I had a meeting about that last week. Hopefully that can be worked out.

Secretary DOLE. Right. But the FAA has certainly had them under close surveillance the entire time since they found the inadequacies in the NATI review.

AIR CONTROLLER WORKFORCE

Mr. LEHMAN. I would like to clear up some misunderstandings that some people have about the size of the controller workforce.

Last April, Admiral Engen testified before the Senate Appropriations Committee and said his goal was to have a controller workforce of 14,306, which he indicated had been attained.

Eight months later, in September, you announced plans to add 1,000 controllers—480 controllers in fiscal year 1986, and 520 controllers in fiscal year 1987.

Taking these two statements together, you should have a total workforce of 14,786 by the end of fiscal year 1986, and a total of 15,306 controllers by the end of fiscal year 1987.

However, we are told by FAA staff that your actual increase budgeted for fiscal year 1986 was only 174 controllers—from 14,306 controllers to 14,480 controllers. And the total 2-year increase in your budget would provide only 694 additional controllers.

What happened to the other 326 controllers—don't you need them?

[The information follows:]

The controller employment goal for FY 1985 was 14,306. In February 1985, that goal was essentially met; however, due to unanticipated attrition and career promotions of full performance levels to supervisory and support positions, the controller work force declined to approximately 14,000 by September 1985. On September 19, 1985, I announced that over the next two years, the FAA would increase the controller work force by 1,000 controllers from what it was at that time. Approximately 500 will be added to the workforce in FY 1986 and the additional 500 is requested for FY 1987. The controller work force employment goal is 14,480 for FY 1986 and 15,000 by the end of FY 1987.

CONTROLLERS UNION

Mr. LEHMAN. Last December the Marine Engineers Beneficial Association (MEBA) announced plans to organize the air traffic controllers.

Do you think there is a need for a new controllers union, and do you plan to resist such efforts to organize the controllers on a nationwide basis?

[The information follows:]

We have been placing considerable emphasis on incorporating employees into the decisionmaking process at air traffic facilities through the use of several employee advisory committees. There is also much to be gained by all concerned from the one-on-one discussions between management and employees that are facilitated by a non-union environment. However, the choice on union representation is up to the controller work force. If they choose to be represented, we will certainly deal with the union representative in good faith. In the meantime, we will remain neutral regarding the issue of reunionization as required by law and seek only to insure that employees are fully informed on all aspects of this important issue.

AVIATION SAFETY INSPECTORS

Mr. LEHMAN. You are also proposing an increase in the number of safety inspectors. As I know you recognize, this is a program that requires improvements in the quality as well as increases in quantity.

Because of our concerns regarding FAA's safety inspection program, we along with members of the Aviation Subcommittee of the Public Works Committee, have requested a General Accounting Office review of this program.

The information being developed by the GAO is, in some areas, similar to that disclosed by your own internal reviews. For example, last month it was reported that an internal FAA review of the inspection program concluded: the FAA inspector workforce was lacking in experience, training, supervision, and expertise; assignment of inspectors to airlines on a geographic basis is ineffective because of the inability of inspectors to monitor diverse and widely scattered operations; hiring practices and screening of inspector applicants could be improved; and, lack of standardization in inspec-

tions resulted from reinterpretation of policies and procedures at every level of the agency.

Unless these management problems are addressed, it seems to me that appropriating more funds for additional inspectors is not going to produce a significant improvement in FAA's safety inspection program.

And I know the NTSB Chairman shares this view. What actions are you taking to address the problems that have been identified by FAA's reports as well as by the GAO's review?

[The information follows:]

Findings and conclusions from the GAO review, the Secretary's Safety Review Task Force, and the National Air Transportation Inspection are being addressed as part of the update of the Flight Standards System under Project SAFE. Project SAFE is an all-encompassing program to identify and correct findings associated with the Flight Standards Inspection Program. Rather than focusing on a specific finding as a singular issue, SAFE considers each finding as part of a need to update the entire Flight Standards System. Project SAFE has been placed into a program management and project planning system which is being used to track all project activities. There are 14 project teams, each team dealing with a particular aspect of the Flight Standards System. The teams will consider all recommendations received by the agency in their area of concern as they complete their part of the project. For example, all recommendations concerning standardized, timely guidance to field inspectors will be part of a project to rewrite FAA inspector handbooks; and specific regulatory recommendations will all be considered as part of an internal regulatory review. The 14 project teams are working on program improvements in the following areas: analysis of function, position management, inspector selection process, staffing standards, training, job task analysis recommendations, regulations, handbooks, standard certificate numbers and office identification, program guidelines, automation systems, evaluation programs, management and supervision, and human relations.

AIRPORT TAKEOFF AND LANDING SLOTS

Mr. LEHMAN. As I understand it, you have proposed a rule that will permit airlines to buy and sell take-off and landing slots at four major airports—Washington National, Chicago O'Hare, and New York's LaGuardia and Kennedy.

These slots are obviously extremely valuable—some estimates are as high as a total of $3 billion—yet under your rule the Federal Government will not receive any of the receipts from these sales.

Why are you not proposing to capture some benefit, for instance, through an auction of these slots, or a windfall profits tax on the receipts generated for these transactions?

Secretary DOLE. Mr. Chairman, the incumbent carriers and the commuters have expended very large sums of money building facilities, developing hubs, creating connections with other carriers, committing aircraft, training and stationing crews, leasing gate space, advertising and developing markets in the high-density airport cities, and in the cities served by these airports.

They are already permitted to trade these slots. Now it's a matter of selling them.

United, just to give you an example, has spent about $75 million at O'Hare, $15 million at LaGuardia, and about $20 million at Kennedy, and they're now undertaking major additional investments at O'Hare—$350 million, and LaGuardia, $6.5 million. And American is undertaking a $300 million program at O'Hare.

So, basically, it's a matter of tremendous investments in these slots that they have, and they are permitted to trade them now. Now there's a possibility of putting a price on them.

Let me assure you we looked at every option on this, and when it reached me with several options, I asked for the original files to go back to day one to look at every single option that had been reviewed at any point along the way, and it's, I think, the fairest approach that we could come up with here.

Mr. LEHMAN. It seems like such a windfall. They actually paid nothing for them initially. They have built facilities there and, for the most part, have depreciated those facilities. And then just to sell them for the benefit of the slot is almost like a government give-away. I think we need to take a very careful look at that before we get into something that's going to make the FAA look a little bit ridiculous.

Secretary DOLE. Well, I think when you look at all the options, you will not find that there is a better option among them. We have spent untold time on this one trying to sort out what would be the most fair way to end a deadlock which is certainly not helpful for anyone, and also to provide small communities with the best possible service. There are four or five ways within this plan that small communities are protected. But there is this major investment on the part of the airlines. So they have really put quite a bit of money into these gateways at this point.

Mr. LEHMAN. We'll probably pursue this a little bit more with Admiral Engen when he comes up here. I just think that there must be a better way to save the public this money.

EFFECT OF SUPPLEMENTAL ON NAS PLAN

Mr. COUGHLIN. Mr. Chairman, could I ask a question on aviation?

Mr. LEHMAN. Surely.

Mr. COUGHLIN. You had indicated that you would have a non-cash-involved supplemental transferring funds for FAA operations. What part of the NAS plan would that cause to slip, and by how much?

Secretary DOLE. I don't anticipate that it would cause it to slip. I'm talking about transferring between a broader range of accounts, not necessarily within FAA. It may well be between modes. It could be a much broader transfer of funds from one account to another.

But, really, we have not completed this, and I'll be happy to consult with you as we complete this p[illegible] for shifting from one account to another.

Mr. COUGHLIN. It's not just strictly within FAA.

Secretary DOLE. Not necessarily. That's right.

AIRPORT SLOTS

Mr. LEHMAN. Please provide for the record the numbe[illegible] of slots at each airport and your estimate of the market value of these slots.

[The information follows:]

The number of slots at each airport is as follows:

	Air Carrier	Commuter
Kennedy	361	62
LaGuardia	864	252
O'Hare	1570	435
National	666	234

The market value of slots will vary considerably according to several factors, including which airport is involved; whether a slot is an air carrier or commuter slot; whether the slot is in peak scheduling hours; whether the slot has a high withdrawal priority number and is subject to being recalled; and whether other slots in the same approximate time period are available.

The Department has investigated reports that speculate slots are worth $1,000,000 each. A $1,000,000 slot value appears to be an exaggeration, and while a small number of the most valuable slots may be priced at $500,000, the vast majority of slots are much less valuable. The Federal Trade Commission conducted a detailed economic analysis of slots and concluded that slot values range between $20,000 and $200,000.

PUBLIC CORPORATION FOR AIR TRAFFIC CONTROL

Mr. LEHMAN. The Air Transport Association has proposed the establishment of a public corporation to operate the air traffic control system. In the past, there have been other proposals to transfer this activity to private corporations—what is your position on this latest proposal?

[The information follows:]

To date, the FAA has not adopted a formal position. The Air Transport Association's proposal to establish a public corporation to operate the air traffic control system is currently under review by the FAA's Chief Counsel. Upon completion of his review, his recommendations will be provided to the FAA Administrator for the appropriation action.

TRUCKING SAFETY

Mr. LEHMAN. One of the few program increases in your budget is your proposal to double the number of Bureau of Motor Carrier Safety truck inspectors by the end of 1987—from 150 to 300.

Only a few short years ago, former Secretary Drew Lewis was taking management actions to significantly reduce the size of the BMCS staff. He actually reduced the number of inspectors by 12 percent between fiscal years 1980 and 1983.

Why have we seen such a wide fluctuation in the administration's position on BMCS staffing over the past few years?

[The information follows:]

The staffing needs of the Bureau of Motor Carrier Safety were significantly impacted by the enactment of the Motor Carrier Safety Act of 1984. This new legislation requires the safety rating of every motor carrier engaged in interstate and foreign commerce. Safety ratings cannot be assigned to some 220,000 motor carriers without obtaining information. The plan is to conduct safety reviews on all 160,000 unrated carriers and those among the 40,000 with a rating of other than satisfactory. The reviews are to obtain factual information and to offer assistance on compliance, or to process enforcement cases against those that cannot or will not comply with basic safety regulations.

Mr. LEHMAN. In view of the relative number of total fatalities and injuries in each area, would you characterize aviation safety or truck safety as being a bigger national problem?

[The information follows:]

We do not wish to take the position that a person killed in a truck accident is any less important than one killed in an aviation accident. Because airline fatalities tend to occur in a small number of catastrophic events, they tend to receive nationwide public attention, as contrasted with the larger overall number of fatalities that receive only local attention. We have active programs to improve safety in both modes and we expect to show reductions in the fatality rate for both. Because we have virtually sole responsibility for aviation safety, while our highway safety responsibilities are shared with state and local governments, the DOT expenditures are understandably higher for aviation safety.

NATIONAL DRIVERS LICENSE

Mr. LEHMAN. Do you support legislation recently introduced in the Senate creating a national drivers license for interstate truck drivers?

[The information follows:]

We are reviewing the recently introduced legislation to create a national commercial motor vehicle license and believe such a scheme has merit if it is administered by the States. Since the driver licensing function is a historical and traditional activity of the States, we have no desire to duplicate or supplant State expertise in this area. To the extent that a State or State associations can operate an information exchange system on truck and bus driver licensing and violations, there will be no need for DOT to become heavily involved in this activity.

MOTOR CARRIER SAFETY GRANTS

Mr. LEHMAN. You are also proposing a 200 percent increase in the truck safety state grant program—from $17 million to $50 million. Last September, the GAO issued a report on that same program which found significant management deficiencies.

The GAO said this program: had no specific goals and objectives; had no established program information needs; had no program-monitoring mechanism; and had no method of evaluating program performance.

In short, we cannot really be sure of who is actually spending this money, for what purposes it is being spent, or how well the program is working. How can you justify a 200 percent increase in funding for this program when such basic management improvements still need to be made?

For example, how can we be sure these funds are not used simply to replace funds that states would otherwise spend themselves?

[The information follows:]

The Government Accounting Office characterization of the Motor Carrier Safety Assistance Program was a gross overstatement. The legislation set the goal, and our published regulations in the *Federal Register* set out the objectives, and require a State Enforcement Plan, a Federal/State agreement, and both self-evaluation and evaluation of each State's program by our own staff. We know exactly which agencies received funds, on what they spent the funds, and what training, inspections, and audits were conducted by each State agency under their plan. The concern of the General Accounting Office was that there was no bulky document setting out multiyear program goals and milestones. The terms of the legislation and rules governing the program require the State to maintain a base-year level of effort and do not allow for the substitution of Federal funds for State funds. The funds are available only to enhance or expand State efforts. Currently, States are generally exceeding the mandatory 20% match. Frankly, if we want to reduce commercial vehicle accident involvements, the resources must be made available for the States to do the job.

FRONT BRAKES ON TRUCKS

Mr. LEHMAN. It was recently reported on a local television news program that 50 percent of all truckers have disconnected their front brakes in the mistaken belief that this would give them better control in quick-stop situations.

What's worse, two of your agencies appear not to be talking to each other. Reportedly, NHTSA studies show conclusively that trucks stop quicker and under more control with front brakes, so NHTSA requires truck manufacturers to install front brakes. Yet, the BMCS allows truckers to disconnect these same front brakes.

Why are these agencies apparently not talking to each other—they are literally down the hall from each other?

And what actions have you taken to resolve this situation?

Secretary DOLE. We are drafting a notice of proposed rulemaking which would eliminate the provision in the BMCS regs and make it consistent with what NHTSA is doing.

This would propose that brakes be required on all wheels, that's what the draft rule would provide, that brakes would be required on all wheels, and that would make it compatible with NHTSA.

Mr. LEHMAN. I'm very pleased to hear that. I was out at one of our big trucking companies in our area, and they said there's no way that you can have safe trucks without front brakes. They say some of the independent haulers do this, but it's a mistaken notion. It's a myth.

How soon do you think this new regulation will be in effect?

Secretary DOLE. Well, we're drafting it right now, and I will assure you that I will personally make certain it moves as fast as feasible.

Mr. LEHMAN. Please expand on your answer for the record and include a detailed schedule of any necessary rulemaking actions.

[The information follows:]

The Notice of Proposed Rulemaking (NPRM) concerning front wheel brakes on trucks is currently under review within the Department. I anticipate that that review will be completed within 4–6 weeks. The NPRM will then be submitted to the Office of Management and Budget for review under Executive Order 12291. It will then be published in the *Federal Register*, and commenters will have 60 days to comment. The Department will proceed to make a decision on whether to issue a final rule without delay.

TRUCKING DEREGULATION

Mr. LEHMAN. Last fall you proposed legislation to deregulate the trucking industry. The American Trucking Association has responded by saying that deregulation will contribute to a further decline in truck safety.

Essentially, their argument is that eliminating all entry requirements and deregulating rates would allow more undercapitalized truckers and cause more predatory pricing tactics—all of which would show up in lower levels of equipment maintenance.

To what extent is this a valid concern?

[The information follows:]

This concern is totally invalid. There is no direct connection between economic regulation and safety. It simply does not make sense to try to regulate safety by regulating the economics of the trucking industry—or any other transportation in-

dustry, for that matter. Truck accident figures before and after the partial deregulation of the Motor Carrier Act of 1980 bear this out.

The Bureau of Motor Carrier Safety (BMCS) requires interstate motor carriers to report truck (10,000 lbs. or more) accidents that result in a fatality, an injury requiring hospital treatment, or damage amounting to $2,000 or more. Prior to 1980, there were annual increases in the number of accidents and fatalities reported to BMCS. In 1980, there was a significant drop in all three categories and statistics remained relatively stable through 1983.

From 1983 to 1984, reported accidents increased by almost 17 percent; fatalities increased 7.6 percent; and injuries increased 9.2 percent. The 1984 reported accidents, however, were only slightly above the 1979 level; and fatalities and injuries were still well below the 1979 figures. One reason for the increase in reported accidents in 1984 might have been that, with accumulated inflation over the years, more exceeded the $2,000 property damage threshold.

First quarter data for 1985 indicate a slight increase in accidents, but a significant decline in fatalities and injuries. During this period, reported accidents increased 2 percent over the same period in 1984. Reported fatalities in the first quarter of 1985 were 16 percent below the first quarter figures for 1984, which means they are even lower than the 1983 figures; and reported injuries were down 9 percent, which means they are close to the 1983 level. Thus, our latest figures show injuries and fatalities involving interstate trucks running well below what they were before deregulation.

The best way to solve our truck safety problem is through strong enforcement of existing safety regulations. We are adding to enforcement levels with 150 additional federal safety specialists and large increases in the Motor Carrier Safety Assistance Program to the states in 1987.

HIGHWAY SAFETY

Mr. LEHMAN. I believe 17 states, covering more than half of the country's population, have now passed mandatory seat belt laws. These laws vary all over the lot, and there is a significant amount of confusion as to whether you will count any or all of these laws against your two-thirds requirement.

It was recently reported that you planned to give the States guidance on this matter "very shortly".

Can you be more specific and tell us when this advice will be given?

[The information follows:]

We had planned to provide informal advice to the states regarding their mandatory usage laws; however, the U.S. Court of Appeals recently requested additional briefs and oral argument in the pending challenge to the 1984 rule. While the matter is before the Court, we are not going to comment specifically on the State laws.

Mr. LEHMAN. You have said that this will be "informal" advice. What do you mean by "informal", and why must this guidance be "informal"?

[The information follows:]

The guidance I mentioned earlier was to be informal in the sense that if we found a state whose mandatory usage law was at variance with the criteria, we would not make any final determination about the status of the mandatory usage law under the criteria for purposes of "counting" toward the goal of two-thirds of the population. We would simply advise the state of the differences between the existing version of their law and the criteria. Standard No. 208 provides for only one formal determination, that is, in the event that the Secretary determined that two-thirds of the population were covered by mandatory usage laws satisfying the criteria. However, in view of the fact that the matter is back before the Court, we are not going to comment on the State laws.

Mr. LEHMAN. Do you have any plans to change the criteria against which these seat belt laws will be judged?

[The information follows:]

We are continuing to examine the requests in the petitions for reconsideration to make various changes in the criteria. However, we have no plans to make any significant changes in the criteria.

SEAT BELT USE RATES

Mr. LEHMAN It has been reported that the initial high seat belt usage rates observed in New York and New Jersey after their buckle-up laws took effect have now slacked off considerably.

Does this indicate to you that mandatory laws are not a panacea and that, even if two-thirds of the population is covered by these laws, we still might have to require passive restraints to gain any significant long term safety benefit?

[The information follows:]

The Department continues to believe that either mandatory usage laws or automatic restraints in the 1984 rule will result in a significant improvement in automobile safety. As we noted, the overall safety benefits from having two-thirds of the population covered by mandatory usage laws should exceed the benefits of an automatic protection requirement.

In issuing the final rule in 1984, the Secretary recognized that, based on foreign experience with mandatory usage laws, the level of safety belt usage achieved under such laws in this country would depend on the extent of enforcement, the severity of sanctions and the amount and quality of publicity and educational programs. More recent experience confirms this relationship. In West Germany, usage rates rose from 28 percent before their mandatory usage laws to 50 percent afterward. Usage rates declined and then rose without enforcement, but rose significantly to 92 percent in 1985 with enforcement added. Closer to home, usage rates in Ontario, Canada went from 17 percent before that province's mandatory usage law to 77 percent afterward. The rate dipped to 49 percent with little enforcement, but rose again to 62 percent with increased enforcement efforts. Other Canadian provinces have shown similar results.

New York's and New Jersey's experience fits into the same pattern. For example, unlike other States with mandatory usage laws, New Jersey did relatively little during the first several months to publicize or enforce its law. The state has now developed a more aggressive public education program and is working with us to enhance its safety belt use efforts. Indeed, in view of the importance of enforcement, publicity and education, the Department has been working with all of the states to increase and improve their activities in these areas. We anticipate that the results of this work will be reflected in future statistics.

HIGHWAY REAUTHORIZATION

Mr. LEHMAN. Of course, the highway and transit programs must be reauthorized next year. Your proposed bill contains about an 8 percent cut in highway funding between fiscal years 1986 and 1987—from $13.94 billion to $12.79 billion in new budget authority.

Why are you proposing this reduction when, as I understand it, the Highway Trust Fund balance would increase substantially under your proposal?

[The information follows:]

The funding level for the Highway Account of the Highway Trust Fund is based on a deficit neutral policy. In other words, it is a funding level that will neither increase or decrease the total Federal budget deficit. The authorizations are set equal to trust fund receipts averaged over 4-years, exclusive of interest. This is consistent with the overall effort to reduce the Federal deficit.

The interest will continue to accrue to the trust fund, adding to the existing balance. The uncommitted balance and interest earned will be retained in the Highway Trust Fund, and will be used for highways when the deficit situation permits.

Mr. LEHMAN. Even though you propose cutting total highway spending by 8 percent, you propose cutting some of the highest priority highway programs—Interstate construction, Interstate 4R,

and Primary—by 15 percent, from $9.24 billion in fiscal year 1986 to $7.84 billion in fiscal year 1987.

Why are you proposing the deepest reductions in these high priority areas?

[The information follows:]

Most of the reduction in the Interstate-primary program is actually being made in the Interstate construction portion. The portion distributed under the Interstate Cost Estimate is $1.635 compared to $3.8 billion for Interstate construction in fiscal year 1986 after sequestering. The portion distributed under the Interstate-4R and primary formulas is $6.2 billion compared to a combined total of $5.4 billion for Interstate-4R and primary in fiscal year 1986 after sequestering.

The large reduction in Interstate construction and a similar reduction in the Interstate substitute program were made in order to maintain a high level of funding for those programs (Interstate-4R, primary, and bridge) that are important to preserving our existing highway facilities. The Interstate System is over 97 percent complete. The remaining cost includes expensive segments in urban areas that will serve primarily local transportation needs. Our proposal will permit States to decide whether to proceed with those segments or use available funds for other high priority construction and Interstate-4R projects.

INTERSTATE COMPLETION

Mr. LEHMAN. When do you estimate the Interstate system would be completed under your legislative proposal—I believe the current target is 1990?

[The information follows:]

It is difficult to project exactly when the Interstate system would be completed with the proposed increase in State flexibility with the Federal-aid highway program. However, it is certainly anticipated, that the remaining gaps on the major through routes will be completed by the early 1990's.

AMTRAK

Mr. LEHMAN. You are again proposing to eliminate all Amtrak funding. Last year we were assured that there would be interest from State and local governments in taking over some of Amtrak's routes and equipment--particularly in the Northeast Corridor.

However, we never did see any evidence of such interest. Is it again your position that state and local governments will assume Amtrak's Northeast Corridor routes? If not, how are we going to serve the millions of passengers who depend on this service?

[The information follows:]

I am optimistic that States or private interests will step forward to assume responsibility for Amtrak service, including the Northeast Corridor (NEC) routes. John Riley is discussing a number of cost-cutting possibilities with Graham Claytor which, if implemented, would eliminate or at least reduce Amtrak's NEC operating losses to a level affordable by its stakeholders.

The Department will again request the NEC States to meet with us to discuss a process whereby the role of funding rail passenger service can be assumed by those who benefit from the service. We are also considering legislation which would facilitate the formation of agreements or compacts which may be necessary if the States are to work together.

If service on NEC routes is not maintained, however, the great majority of the riders would still travel. A 1979 Amtrak survey of its riders found that less than 4 percent would not travel if rail passenger service was discontinued, with more than 95 percent reporting that they would travel by another mode.

Mr. LEHMAN. Last year, we were told that Amtrak funding was eliminated from the President's budget over your objection. Was that the case again this year?

[The information follows:]

No, I did not object to elimination of Amtrak funding from the President's budget this year. In view of the massive Federal deficits and the requirements of Gramm-Rudman, I agree with the President that we can no longer afford a continuing subsidy to Amtrak.

AMTRAK LABOR PROTECTION OBLIGATIONS

Mr. COUGHLIN. Mr. Chairman, I have one question on Amtrak, if I might.

Mr. LEHMAN. Go ahead.

Mr. COUGHLIN. I know that you realize the termination of the federal grants to Amtrak would require a bankruptcy proceeding in all likelihood, at least.

In that case what labor protection obligations would be incurred and who would have to pay—assuming there was a bankruptcy proceeding? And what labor protection obligations would be incurred? Do you know how much there would be?

Secretary DOLE. Six years' full salary, which I believe is about $2.1 billion.

Mr. COUGHLIN. Who would have to pay that?

Secretary DOLE. Amtrak. Of course, in a bankruptcy, how they work that out is another question. But the contract is between Amtrak and its employees. The Federal government is not involved in that.

Mr. COUGHLIN. And you figure you have a sound legal basis for saying that we won't end up picking that up?

Secretary DOLE. Congress renegotiated, as you know, on Conrail, changed the even richer provisions to $20,000 per employee. So I just don't know. The contract calls for six years' salary, and it is between Amtrak and its employees.

Mr. COUGHLIN. Thank you, Mr. Chairman.

CONRAIL

Mr. LEHMAN. Moving on to Conrail, one of my main concerns about the Norfolk Southern proposal is the $1.2 billion purchase price—many judge it to be too low, based on Conrail's earnings record and net worth. I know you feel that based on considerations other than price the Norfolk Southern's bid is superior to the others.

My question to you is, at what level should price become the predominant consideration? For instance, what if Morgan Stanley found additional investors and increased its bid from $1.4 billion to $2 billion? Is there no price level within reason where the Morgan Stanley offer, as currently structured, becomes attractive?

[The information follows:]

The Northeast Rail Service Act of 1981 (NERSA) established three guidelines for the sale of Conrail stock with price the last of the three considerations. In response, I established the following criteria to evaluate and select the best deal consistent with the legislative intent: (1) The financial strength of the corporation, (2) the impact of the offer on Conrail's ability to serve its shippers and communities, and (3) the financial return to the Government.

The Norfolk Southern proposal best meets these criteria and today remains superior despite recent actions by Morgan Stanley and Allen & Company. The ability to "ensure continued rail service" is best achieved through a strong corporate commitment and with a proven track record in providing quality transportation service, a strong financial position, and agreement to a series of tough public interest cov-

enants. In addition, the Norfolk Southern proposal, unlike the other two, substantially reduces the Government's future risks.

Price represents a major but not the decisive factor in making a strong case. A willingness and the financial strength to ensure continued service to shippers and communities, continued employment, and the long-term viability of Conrail are more important. We don't believe a stand-alone Conrail stripped of assets, encumbered with new debt and paying dividends beyond its means can survive the next three business cycles. Such a Conrail is not consistent with the assurance Congress sought when it passed NERSA. Price would become the deciding factor only if the financial integrity of Conrail is assured. The Department seeks a long-term solution that enhances transportation overall, particularly in the Northeast, and not simply achieving the highest price.

A sale to Morgan Stanley or Allen & Company would bring with it a high risk that the Government would get Conrail back in a few years. As long as that risk accompanies the Morgan Stanley and Allen & Company offers, neither offer would be attractive even at $2 billion in cash at closing. The last time the Government had to rescue the railroad system in the Northeast it cost the taxpayers $7 billion.

CONRAIL PURCHASE PRICE

Mr. LEHMAN. The $1.2 billion Norfolk Southern bid has now been on the table for about a year. In the meantime, Conrail has posted another year of strong earnings, $440 million in 1985, $500 million in 1984, $313 million in 1983.

Why shouldn't Norfolk Southern reconsider its purchase price based on Conrail's most recent earnings and financial outlook?

[The information follows:]

The purchase offer submitted by Norfolk Southern is the result of its assessment of Conrail's current value and future expectations. Conrail's future prospect, standing alone, are not good. Current financial results being reported by Conrail are the result of management efficiencies in the form of plant closings and employee reductions and rate adjustments, not increased traffic. Since 1977, Conrail's tonnage shipped has declined from 268 million tons to 182 million tons in 1985. While Conrail expects this trend to stabilize over the next five years, Norfolk Southern believes it will continue to decline. In a recent Norfolk Southern report dated December 1985, entitled "Conrail's New Crossroads," NS reconfirms its expectations, concluding: "Conrail standing-alone . . . faces a dim long-term future and its viability is questionable." Combining the public interest covenants and substantial concessions that Norfolk Southern has negotiated with the Department of Justice, states, shippers and other interested parties in order to enhance the quality and competitiveness of service in its region, suggests that Norfolk Southern is already paying well in excess of the $1.575 billion it is laying out to the United States Government and the employees of Conrail.

MORGAN STANLEY AND ALLEN/FIRST BOSTON OFFERS

Mr. LEHMAN. Please provide for the record your critique of the most recent Morgan Stanley and Allen/First Boston offers.

[The information follows:]

Morgan Stanley Proposal

The Morgan Stanley proposal was submitted on May 14, 1985, a full eleven months after the close of the period we established for submission of formal competitive bids and more than three months after our announcement of the selection of Norfolk Southern.

Despite the opportunity Morgan Stanley took to review the Norfolk Southern's proposal and, indeed, to cloak its proposal in the general pattern of the Memorandum of Intent between the Department and Norfolk Southern, the Morgan Stanley proposal is seriously flawed. It has been revised at least twice in response to our critiques, but remains seriously flawed.

The heart of the problem with the Morgan Stanley proposal is that it would leave Conrail a much weaker company than it is now or than it would be in the hands of Norfolk Southern. Conrail's financial strength and service capacity must be maintained and enhanced. Otherwise, unacceptable risks would be posed by the vulnerability of the "inherently fragile entity," to use the words of CSX Chairman Hays Watkins, to the adverse effects of dependence on recession-sensitive traffic, intense competition from truckers, a lack of coal reserves on its lines, and the continuing decades-long decline of freight tonnage in Conrail's service area. In that overall context, the Morgan Stanley proposal presents the following specific problems:

1. The Morgan Stanley plan actually brings less money to the government upon sale. Although Morgan Stanley has styled its offer as a $1.4 billion transaction it still would take $240 million of Conrail's cash reserves to complete the purchase transaction, dropping those reserves near the absolute minimum needed to ensure continued operation of the railroad. Norfolk Southern's offer takes no cash out of the company.

2. Morgan Stanley proposes to pay dividends of $112 million annually, which would represent a dividend yield that is 130 percent higher than the industry average (Exhibit A). Such a payment will deplete cash needed for capital investment. Conrail cannot make such payments out of its marginal cash flows without borrowing, disinvesting, or deferring maintenance. In order to pay those dividends, Morgan Stanley proposes levels of maintenance far below those projected by Conrail management. Morgan Stanley recently gave credence to these concerns in its revised 1986 projections which were released to the public on January 22, 1986. The projections indicate a slight alteration in Morgan Stanley's dividend formula, dropping the level of projected dividends from $121 million to $112 million annually. That change is hardly significant; according to its financial

reports Conrail generated less than half the cash needed to pay that dividend in 1986. Last July, Morgan Stanley projected that despite property sales, Conrail would have negative cash flow for 1986 of $226 million -- and therefore be unable to pay the dividend levels without borrowing or disinvestment. The revised budget that was released in January would seemingly mute criticisms regarding this dividend payment policy, until reviewed closely.

In the altered budget, Morgan Stanley projects improvement in its net cash flows of more than $100 million. The new budget also projects that Conrail's revenue will decline 5.3 percent from the July 1985 Morgan Stanley estimate (1 1/2 times Conrail's normal annual traffic base decline).

- Deferred Maintenance: Morgan Stanley takes a whopping 20.9 percent cut in its capitalized maintenance and capital investment projections, lowering them from $634 million to $501 million. This transfer of $133 million from capital improvement to cash accounts is precisely what the Department of Transportation has always argued that Conrail would do to fund dividends under the Morgan Stanley plan -- trade off the corporation's future for short-term dividends (see attached Exhibit B).

- Sell Off Conrail Property: The Morgan Stanley proposal assumes proceeds from the sale of Conrail property of at least $45 million, up $5 million from the last estimate.

- Lay Off Employees: The Morgan Stanley figures appear, on their face, to assume continued lay offs, which amounted to almost 2,800 employees last year. While no exact number is set forth, we believe it would require at least 1,500 additional employee terminations to support the new cash flow assumptions.

These latest Morgan Stanley projections confirm two of the major arguments raised against the Morgan Stanley proposal from the beginning -- that Conrail cannot afford the Morgan Stanley dividends, and that the Morgan Stanley investors intend to pay those dividends, even in the face of declining traffic, and even at the cost of deferred maintenance and cutbacks in capital investment.

3. Under Morgan Stanley, Conrail will continue to shrink its workforce automatically. Conrail reduced employment by 2,800 during last year and nearly 50,000 since 1976. The NS offer would have a net employment impact of 1,200 jobs. Conrail's continued traffic decline and plans to rationalize its system further to a 9,000 mile railroad means continued job loss and uncertainty. The Morgan Stanley offer compounds this loss in employment because of their labor protection plan covers only employees hired before April 1, 1976; approximately 7,800 of Conrail's most junior employees would be without labor protection benefits.

Exhibit A

DIVIDEND YIELDS

CONRAIL	6.8%	(UNDER MORGAN STANLEY)
BN	1.9%	
NS	3.7%	
CSX	3.2%	
SFSP	2.6%	
UP	3.3%	

Publicly Traded Shares' Yield Source: Barrons, 3/17/86

EXHIBIT B

MORGAN STANLEY

CONSOLIDATED RAIL CORPORATION

SUMMARY PROJECTIONS

Pro Forma for the Morgan Stanley Investor Group Proposal
($MM)

Cash Flow Statement

Sources:	1986 Budget	Conrail June 1985 Plan 1987	1988	1989
Net Income	$ 300	$ 353	$ 375	$ 386
Non-Cash Items:				
Depreciation and other (1)	226	238	245	253
Deferred Taxes	99	125	143	152
Subtotal Non-Cash Items	325	363	388	405
Funds from Operations	$ 625	$ 716	$ 763	$ 791
Uses:				
Net Investments:				
Capital Expenditures	$(501)	$ (657)	$ (678)	$ (665)
Property Sales	45	40	40	40
Increase in Net Working Capital	(21)	(35)	(40)	(45)
Return of Excess Cash	(50)			
Subtotal Net Investments	(527)	(652)	(678)	(670)
Financings:				
External Equipment Financing	118	167	161	145
*Increase due to Lease Financing	0	32	31	28
Subtotal New Financing	118	199	192	173
Debt Repayment:				
Existing Debt Repayment	(120)	(137)	(141)	(145)
*Adjustment for Lease Financing	0	(2)	(4)	(7)
Subtotal Repayments	(120)	(139)	(145)	(152)
*Cash Used in Transaction (2)	(240)			
*Common Stock Dividends (3)	(28)	(112)	(112)	(112)
Change in Cash	$(172)	$ 12	$ 20	$ 30
Ending Cash Balance	$ 738	$ 750	$ 770	$ 800

NOTES: * Denotes adjustment to Conrail management's projections arising from the transaction and the lease financing assumptions.

(1) Depreciation expense has not been adjusted to reflect lease financing assumptions or lower budgeted capital expenditures in 1986, since the adjustments would not be material and do not affect the cash balance.

(2) Comprised of: labor payment ($230MM) and other ($10MM).

(3) The first dividends are expected to be paid in the fourth quarter of 1986. ($3.80/share).

EXHIBIT B

CONSOLIDATED RAIL CORPORATION

SUMMARY PROJECTIONS

Pro Forma for the Morgan Stanley Investor Group Proposal
($MM)

Cash Flow Statement

	1985	1986	1987	1988	1989
Sources:					
Net Income	$ 457	$ 314	$ 346	$ 367	$ 377
Non-Cash Items					
Depreciation and other (1)	211	235	238	243	253
Deferred Taxes	0	95	117	136	142
Subtotal Non-Cash Items	211	330	355	379	395
Funds from Operations	$ 668	$ 644	$ 701	$ 746	$ 772
Uses:					
Net Investment:					
Capital Expenditures	$ (599)	$ (634)	$ (657)	$ (678)	$ (665)
Property Sales	74	40	40	40	40
Increase in Net Working Capital	(18)	(30)	(35)	(40)	(45)
Subtotal Net Investment	(503)	(624)	(652)	(678)	(670)
Financings:					
External Equipment Financing	114	146	167	161	145
•Increase due to Lease Financing	0	29	32	31	28
Subtotal New Financing	114	175	199	192	173
Debt Repayment					
Existing Debt Repayment	(130)	(132)	(137)	(141)	(145)
•Adjustment for Lease Financing	(0)	(3)	(5)	(7)	(10)
Subtotal Repayments	(130)	(135)	(142)	(148)	(155)
•Cash Used in Transaction (2)	$ (375)				
•Common Stock Dividends (3)	0	(89)	(118)	(118)	(118)
Change in Cash	$ (226)	$ (29)	$ (12)	$ (6)	$ 2
Ending Cash Balance	$ 620	$ 391	$ 379	$ 373	$ 375

Notes: • Denotes adjustment to Conrail management's projections arising from the transaction and the lease financing assumptions.

(1) Depreciation expense has not been increased to reflect the shorter depreciation life of the leased equipment since it is not material and does not affect the cash balance.

(2) Comprised of: labor payment ($230MM), repurchase of ESOP shares ($38MM), other ($7MM) and excess cash ($100MM).

(3) The first dividends are expected to be paid in the second quarter of 1986.

4. Morgan Stanley's proposed covenants follow the form of the Norfolk Southern Memorandum of Intent, but significantly deviate, particularly with respect to dividends and uses of cash. Until January 17, 1986, Morgan Stanley proposed that the Board of Directors would be permitted to waive the common stock dividend test in each of the first two quarters after closing to permit payment of dividends up to $1.25 per share. This need for immediate dividends raises concerns about the short-swing investment motives of the Morgan Stanley investors. The elimination of the waiver provision from their proposal only slightly mitigates this concern. The Morgan Stanley plan is contingent upon Congress' providing a special exemption from the short saving-profit limitations of the Securities and Exchange Act. In contrast to Norfolk Southern, which would settle labor claims with is own cash, Morgan Stanley would cause Conrail to distribute $230 million of Conrail cash to employees in settlement of wage claims. Unlike the Norfolk Southern covenants, Morgan Stanley's covenants would continue to exempt certain stock repurchases from the common stock dividend test. Unlike the Norfolk Southern covenants, Morgan Stanley's covenants would not require reimbursement dividend distributions if minimum levels of capital investment are not met. Finally, unlike the Norfolk Southern covenants, Morgan Stanley's covenants would not prohibit Conrail from issuing preferred stock to the investors.

5. The pro-competitive advantages of the Norfolk Southern plan would not be realized under the Morgan Stanley plan. Morgan Stanley would foreclose the opportunity to provide single line service to north-south shippers throughout the entire eastern half of the United States and an opportunity to provide competitive single line service between the northeast and the midwestern gateways of Chicago and St. Louis that would break Conrail's monopoly of that service. It would also forego the opportunity to enhance competition in Conrail's service area by failing to reopen the approximately 300 gateways and joint routes which Norfolk Southern has pledged to reopen.

Continued cost of those lost opportunities is made even clearer by consideration of what Conrail's management would have to do in order to compensate for the company's diminishing traffic base, such as cancellation of joint rates, reductions in employment, and significant rate increases on north-south movements.

6. The Morgan Stanley plan creates substantial risk that the deal might not close. The Morgan Stanley proposal contemplates a series of agreements between each of the members of the investor group and the Government, rather than between a single entity and the Government. Thus, there is no obligation to purchase the Government's stock in Conrail until separate agreements have been entered into with each and every investor.

There is a significant risk of non-consummation in the Morgan Stanley proposal, principally because the Morgan Stanley plan provides that they will execute a legally binding agreement for the purchase only if it appears that market conditions would permit immediate and profitable resales. Until such agreements were signed, the investor group would be under no obligation to proceed with the sale.

If agreements were executed, the Morgan Stanley proposal imposes a number of conditions upon the obligations of the investors to complete the purchase of the Government's stock, and gives Morgan Stanley certain discretionary rights to terminate the transaction. The belated addition on January 17 of a "ten percent up" clause does not resolve our concern, since it would provide for only a limited number of investor defections.

In addition to our concern that the transaction might not occur as contemplated, Morgan Stanley seeks to secure a significant tax break for its corporate investors. It would require that Conrail's opening accumulated earnings and profits balance be deemed to be $500,000,000. This change would enable corporate investors to avoid reductions in their tax bases in Conrail stock attributable to a return of capital distribution. While this would result in such investors paying taxes on dividends at an effective tax rate of 6.9 percent (thanks to the corporate dividend exclusion), they would avoid increasing the gain recognized upon sale of the stock, which would be taxed at 28 percent under current law.

Finally, Morgan Stanley has demanded the right to resell immediately the stock to whomever the investors may choose, and has committed to reselling a majority of it within five years. Therefore, a controlling interest in Conrail will be resold within five years of initial sale.

In sum, the Morgan Stanley proposal is structured to give short-swing investors access to Conrail's cash reserves and to make a profit on quick resale of the Conrail stock. It is not structured to preserve and enhance Conrail's financial strength or to preserve service and jobs. It is a good deal for the Morgan Stanley investor group and a bad deal for the United States, Conrail, its employees, and the communities it serves.

Allen & Company Proposal

The information we have received on the Allen & Company proposal is couched in such general terms that it is impossible to evaluate definitively the Allen & Company offer or to compare it with the Norfolk Southern Corporation plan which the Senate has approved.

Although the Department of Transportation's investment advisor, Goldman Sachs & Company, has asked Allen & Company to provide the necessary information, a number of deficiencies are apparent from the documents that have been submitted.

The proposal continues to be significantly inferior to the NS proposal in its impact on Conrail's financial strength. Only $1.55 billion is proposed to be paid by Allen. The balance would come out of Conrail's funds as would any payments to labor.

The revised Allen & Company proposal apparently adopts wholesale the Morgan Stanley intent to remove approximately $230 million from Conrail as part of its labor settlements. Allen & Company proposes to bind Conrail to public interest covenants that are "substantially equivalent" to those agreed to by NS, but the Allen & Company covenants have not yet been spelled out, even though the NS covenants have been on the public record for a year. The Allen & Company deal also requires that Conrail obtain a $300 million line of credit, but there is no indication of how this extraordinary borrowing against Conrail's assets can be reconciled with preserving Conrail's financial strength. In fact, our analysis indicates the $300 million line of credit will be necessary just to maintain the required (in the MOI with NS) minimum cash balance of $500 million.

	Cash Balance	$900 million
Less:	Payment to Government	(250) million
	Payment to Employees	(230) million
	Balance Remaining	$420 million

The Allen & Company proposal essentially is a speculative proposition, with the Government bearing 100 percent of the risk until the funds are raised and the transaction is completed. Allen & Company's statement that the Government will receive $1.8 billion is nothing more than a precatory and highly conditional statement of intent that <u>if</u> Conrail Acquisition Corporation can raise the necessary funds through selling its stock to the public, and <u>if</u> the Congress approves the sale, <u>then</u> the Government's stock will be purchased.

Since Conrail Acquisition Corporation does not have the financial resources to consummate a $1.8 billion purchase from the Government, the ultimate outcome is subject to the whim of the capital markets. This market risk is particularly dramatic in that a public offering of this size is almost unprecedented. Only British Telecom and Fireman's Fund have been of comparable size, but neither company is similar to Conrail as an investment.

COAST GUARD DRUG INTERDICTION

Mr. LEHMAN. The President's budget indicates that 15 percent of the Coast Guard's fiscal year 1987 budget authority will be dedicated to maritime drug interdiction activities. Last year, according to the fiscal year 1986 budget this effort was to receive 12 percent of the Coast Guard's budget.

How do you determine the level of effort to devote to drug interdiction activities, and how do you measure the effectiveness of the resources that are devoted to these efforts?

[The information follows:]

The Coast Guard formulates its drug interdiction budget plans with the realistic understanding that effective maritime drug law enforcement requires making the smuggling of narcotics substantially less profitable. Their maritime efforts are only one part of an overall national effort with interdiction coordinated through the National Narcotics Border Interdiction System (NNBIS). The National Drug Enforcement Policy Board, chaired by the Attorney General, has a charter that includes a budgetary oversight function of all federal drug supply reduction programs. This review assures that from a total federal law enforcement perspective a balance exists between agency budget requests and the overall drug threats posed.

Determining measure of effectiveness (MOE) is difficult to do. It is complicated by the need to allocate the use of multi-mission resources, the multiple types of contraband being smuggled, the inability to determine deterrence effect as opposed to seizures, and complexity of assessing results of only one part of a multi-part national drug enforcement strategy. What we do know is that drug usage remains a national problem and drug smuggling continues to increase.

What Coast Guard does is provide a level of deterrence against what would otherwise be an unimpeded flow of drugs into this country. Its interdiction effort stops millions of pounds of marijuana in transit and deters the shipment of an additional undetermined amount.

PRIVATIZATION OF COAST GUARD SERVICES

Mr. LEHMAN. Privatization seems to be one of the major policy themes in the President's fiscal year 1987 budget. In the past (fiscal year 1985 and fiscal year 1986) we have discussed the Grace Commission recommendation that the Coast Guard could save $1.259 billion over a 3-year period by transferring to the private sector the operations of Coast Guard services in the areas of non-life-threatening search and rescue, short-range aids to navigation, and commercial vessel safety.

In view of the efforts being made to privatize other government programs and services, why has this Grace Commission recommendation been largely ignored?

[The information follows:]

The Coast Guard has developed and implemented several agreements with third parties in the private sector for vessel inspection services. The Coast Guard is progressing toward awarding contracts for the maintenance of aids to navigation on a trial basis on four selected non-critical waterways. Policies regarding private sector ice breaking and assistance to vessels in non-life-threatening situations (SAR) have been refined and implemented. In compliance with the Coast Guard Roles and Missions Study, the Coast Guard completed a report analyzing each Vessel Traffic Service to determine the feasibility, legality, and national security aspects of transferring Vessel Traffic Services operations to qualified state or local authorities. In the report the Coast Guard recommended that vessel traffic services continue to be operated by the Coast Guard. Finally, while not technically "privatization," in a similar spirit the Coast Guard has implemented an aggressive A-76 initiative to use private sector resources to accomplish several "non-governmental, commercial activities."

COAST GUARD RESERVE

Mr. LEHMAN. Your budget proposes an increase in the selected reserve of the Coast Guard. We have been strong supporters of the Coast Guard reserve, but I find it difficult to rationalize an increase in this program at a time when there are large scale reductions in transit, Amtrak and numerous other transportation programs.

How do you rationalize this increase in light of the major reductions being proposed in other areas?

Secretary DOLE. It's for early response mobilization. Mr. Chairman. The cutbacks in the regular Coast Guard numbers are due to increased productivity, A–76, and things of that sort. But there is a need, according to the Coast Guard, for better early response mobilization, and this would go to that need.

So the budget actions address different situations. They're not directly related.

Active duty military employment can be reduced by 648 man-years, as I've indicated, mainly through increased productivity, and contracting out.

Mr. LEHMAN. Is it cheaper to use reserves than it is to use regular personnel?

Secretary DOLE. Well, these are on different tracks here. The proposed increase of the 500 selective reservists will reduce shortfalls in critical mobilization personnel requirements needed over and above Coast Guard active duty force levels.

It also enhances and contributes to Presidential initiatives in improving increased defense readiness capability.

Mr. LEHMAN Would you expand on that for the record so we'll be clear on that?

Secretary DOLE. Okay. The reserve, the principal wartime mission for which selected reserve resources are used is port security. So it goes to those particular kinds of activities and early response mobilization.

But we'll expand on that for the record.

[The information follows:]

The principal wartime mission of the Selected Reserve is Port Security. One of the most significant taskings of this mission area is to insure the security of ports of embarkation and debarkation for all waterborne cargo . . . materials and people. The size of the active duty Coast Guard is inadequate to carry out that mission. The 500 growth requested in the Selected Reserve is an incremental increase to reduce an acknowleged shortfall in mobilization resources. This shortfall was not created by the planned reductions in FY 1987 to the active force . . . those reductions are being taken as a result of improved management and contracting (A–76) actions; so a direct comparison of the two actions is not possible. Comparison of this increase with other decreases in the Department is a question of priorities. Reducing the shortfall of personnel in the Coast Guard Selected Reserve by incremental growth is consistent with the Department fulfilling its responsibility to the national defense.

COAST GUARD AC&I FUNDS

Mr. LEHMAN. The Coast Guard's fiscal year 1987 request for acquisition, construction and improvements has been substantially reduced because of the large sum of money provided in the Department of Defense Appropriations Act, 1986, for Coast Guard equipment.

Will you summarize the equipment to be purchased with the DOD funds and indicate whether you believe the Coast Guard will have adequate capital funding in fiscal year 1987?

[The information follows:]

The capital funding ($77,100,000) requested in FY 1987 is adequate provided Congress favorably endorses the Coast Guard's FY 1986 spending plan, which calls for the reprogramming of a portion of the Department of Defense Coastal Defense Augmentation appropriation to meet ongoing, priority FY 1986 and FY 1987 capital requirements. Disapproval of the spending plan would severely affect major cutter, aircraft and shore construction programs for both fiscal years. The spending plan is summarized below:

U.S. COAST GUARD SPENDING PLAN COASTAL DEFENSE AUGMENTATION ACCOUNT

[In thousand of dollars]

Project	DOD conference report levels	Units	Proposed adjustments totals	Units
Projects earmarked by DOD Conference Report ($155,625):				
Medium Range Recovery (MRR) Helicopter	$41,000	(3)	$41,000	(3)
Buoy Tender (WLB) Service Life Extension (SLEP)	70,000	(5)	14,000	(*)
C–130 Aircraft	72,000	(4)	0	(0)
140-foot Icebreaking Tug	20,000	(1)	0	(0)
Forward Looking Airborne Radar (FLAR)/C–130 Modification	60,000	(27)	44,525	(24)
110-foot Patrol Boats (WPB) to Replace 95-foot PB's	112,000	(16)	56,000	(8)
P.L. 99–177 Sequestration	−18,375			
Subtotal DOD conference report projects	356,625		155,625	
CG Unfunded FY 1986 and proposed FY 1987 projects ($201,000):				
210-foot Medium Endurance Cutter (WMEC)—Midlife Maintenance Availability (MMA)			42,300	
378-foot High Endurance Cutter (WHEC)—Fleet Renovation and Modernization (FRAM)			123,100	
River Tender (WLR) Replacement			10,600	
270-foot Medium Endurance Cutter (WMEC)—Procurement			4,400	
Acquisition of Replacement Motor Lifeboat (MLB) prototype			1,500	
Polar Class Replacement Main Propulsion Monitoring and Control System			2,200	
HU–25A Sensor Spares			2,900	
Short Range Recovery (SRR) Helicopter (HH65A) Support			5,600	
Secure Voice Communications Installation			6,400	
Deployable Port Security Units (PSU's)			2,000	
Subtotal, Coast Guard Projects			201,000	
Total Appropriation	356,625		356,625	

*Procure long lead time materials for future WLB SLEP's

Mr. COUGHLIN. Mr. Chairman, I have one question on the Coast Guard, if I might.

Do you feel that the relatively low figure that you proposed for Coast Guard AC&I for fiscal year 1987 is adequate?

Secretary DOLE. Yes, $77 million is just on the non-military aspect. Then we're looking at a reprogramming of $190 million of the $357 million under the DOD budget for the military side. So we would propose that reprogramming.

Mr. COUGHLIN. You think what you are proposing for AC&I is adequate?

Secretary DOLE. It is with that reprogramming, yes.

Mr. COUGHLIN. Thank you.

TRANSPORTATION RESEARCH

Mr. LEHMAN. Would you update for the record the tables concerning transportation research included on pages 118 through 123 of last year's hearing?

[The information follows:]

DEPARTMENT OF TRANSPORTATION
CONDUCT OF RESEARCH AND DEVELOPMENT
(in millions of dollars)

Administration/ Appropriation	Obligations FY 85 Actual	Obligations FY 86 Est.	Obligations FY 87 Est.	Outlays FY 85 Actual	Outlays FY 86 Est.	Outlays FY 87 Est.
Federal Highway Administration						
Federal-Aid Highways:						
R&D, Highways	$13.5	$11.6	$15.0	$12.7	$10.8	$13.9
Highway Planning & Research	27.3	24.7	29.9	24.6	22.2	27.0
Highway Safety Research and Development	7.6	9.2	7.0	9.8	8.2	9.1
Motor Carrier Safety	.5	1.6	1.9	.6	.6	1.1
Subtotal	48.9	47.1	53.8	47.5	41.8	51.1
National Highway Traffic Safety Administration						
Operations and Research	28.6	26.3	27.3	28.0	26.7	27.2
Federal Railroad Administration						
Railroad Safety	15.3	20.5	9.6	16.2	19.8	16.5
Urban Mass Transportation Admin.						
Research, Training, and Human Resources	10.2	11.5	7.7	18.6	10.5	6.4
Federal Aviation Administration						
Research, Engineering, and Development	277.4	205.9	134.5	261.9	262.0	181.0
Operations	8.9	10.0	9.0	8.2	9.1	8.3
Subtotal	286.3	215.9	143.5	270.1	271.1	189.3

DEPARTMENT OF TRANSPORTATION
CONDUCT OF RESEARCH AND DEVELOPMENT
(in millions of dollars)

Administration/ Appropriation	Obligations FY 85 Actual	Obligations FY 86 Est.	Obligations FY 87 Est.	Outlays FY 85 Actual	Outlays FY 86 Est.	Outlays FY 87 Est.
U.S. Coast Guard						
Research, Development, Test, and Evaluation	$ 19.0	$ 24.1	$ 22.0	$ 18.4	$ 23.6	$ 21.5
Maritime Administration						
Research & Development	12.8	9.7	5.5	10.2	12.0	11.3
Operations and Training	1.2	1.2	.6	1.2	1.2	.6
Subtotal	14.0	10.9	6.1	11.4	13.2	11.9
Research and Special Programs Administration						
Research and Special Programs	2.6	2.5	2.3	2.4	2.3	2.0
Office of the Secretary						
Salaries and Expenses	4.8	4.8	5.0	4.7	7.3	4.9
TOTAL	429.7	363.6	277.3	417.3	416.3	330.8

DEPARTMENT OF TRANSPORTATION
RESEARCH AND DEVELOPMENT FACILITIES
(In millions of dollars)

Administration/Appropriation	Obligations			Outlays		
	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
National Highway Traffic Safety Administration						
Operations and Research	$ .5	$ .5	$ .5	$ .5	$ .5	$ .5
Federal Aviation Administration						
Facilities and Equipment	8.5	18.4	16.5	13.6	3.3	3.1
U.S. Coast Guard						
Research, Development Test, and Evaluation	0	.1	.1	0	.1	.1
TOTAL	$ 9.0	$19.0	$17.1	$14.1	$ 3.9	$ 3.7

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT
(In millions of dollars)

Administration	FY 1986	FY 1987	Difference	Remarks
FHWA	$47	$54	$ +7	Continues support for research programs in highway planning, design, construction, and maintenance to ensure an effective and efficient highway system. Research will also be directed toward identifying and correcting impediments to highway safety and improving truck safety.
NHTSA	26	27	+1	Provides for motor vehicle and highway safety research, and demonstrations emphasizing safety belt usage and alcohol countermeasures. In 1987, a small increase is planned for safety belt activity.
FRA	20	10	-10	Supports research in the areas of equipment, operations, and hazardous materials safety. Track safety and track/train safety testing are also included.

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT (CONT'D)
(in millions of dollars)

Administration	FY 1986	FY 1987	Difference	Remarks
UMTA	$ 12	$ 8	$ -4	Conducts research, training, and human resources programs in all phases of urban mass transportation to improve mass transportation services (especially in urban areas) and reduce costs. In addition, UMTA will support interdisciplinary academic research including training of personnel to conduct further research or to obtain employment in urban mass transportation planning, construction, operation or management.
FAA	216	144	-72	Development and testing of the Advanced Automation System to automate air traffic control in the 1990's will continue. FAA will support other research activities concerned with Automated En Route Air Traffic Control (AERA); communications system development; and Central Weather Processor (CWP); terminal doppler weather radar; and development of devices to detect weapons, explosives and flammable liquids.
USCG	24	22	-2	Supports research to maintain and improve search and rescue systems, environmental protection, marine safety, aids to navigation, the enforcement of laws and treaties, and activities affecting all Coast Guard missions.
MARAD	11	6	-5	Supports advanced ship development and operations, research facilities, and advanced maritime technology. The decrease reflects movement toward an objective of greater private sector initiative in maritime research and development.
RSPA	2	2	0	Provides for research to support the hazardous materials, pipeline safety, radio-navigation, transportation statistics, and emergency transportation programs.
OST	5	5	0	Supports research on domestic and international transportation issues of importance to the nation.
TOTAL	$364	$277	$ -87	

POSITIONS AND EMPLOYMENT

Mr. LEHMAN. Would you provide a table similar to the one on pages 125 and 126 of last year's hearing indicating by appropriation your present employment, currently authorized positions and positions requested for fiscal year 1987?

[The information follows:]

DEPARTMENT OF TRANSPORTATION AUTHORIZED POSITIONS AND EMPLOYMENT

Administration/Appropriation	Authorized Positions FY 1986	1/31/86 Employment [1]	Authorized Positions FY 1987
Federal Highway Administration:			
Motor Carrier Safety (Highway-Trust Fund)			433
Motor Carrier Safety	373	238	
Limitation on General Operating Expenses	2,629	2,592	2,463
Federal-Aid Highways	329	308	330
Allocations	112	109	86
Miscellaneous Trust Funds	15	12	15
Total FHWA	3,458	3,259	3,327
National Highway Traffic Safety Administration: Operations and Research	640	581	640
Federal Railroad Administration:			
Office of the Administrator	161	160	196
Railroad Safety	443	420	464
Rail Service Assistance	43	41	
Railroad Research and Development	15	15	
Total FRA	662	636	660
Urban Mass Transportation Administration: Urban Mass Transportation Fund	496	464	343
Federal Aviation Administration:			
Headquarters Administration	652	660	
Operations	45,123	42,494	44,956
Operation and Maintenance, Metropolitan Washington Airports	707	587	707
Aviation Insurance Revolving Fund	2	2	2
Facilities and Equipment	1,015	967	1,215
Research, Engineering, and Development	853	802	653
Total FAA	48,352	45,512	47,533
U.S. Coast Guard:			
Operating Expenses	4,610	4,408	4,569
Acquisition, Construction, and Improvements	224	191	228
Reserve Training	123	89	123
Research, Development, Test, and Evaluation	104	94	104
Offshore Oil Pollution Compensation Fund	7	7	
CG Yard Fund	654	607	654
Total USCG:			
Civilian	5,722	5,396	5,678
Military	38,994	38,018	38,652
Maritime Administration: Operations and Training	1,016	943	999
St. Lawrence Seaway Development Corporation: St. Lawrence Seaway Development Corporation Fund	192	161	192
Office of the Inspector General: Salaries and Expenses	471	444	459
Research and Special Programs Administration:			
Research and Special Programs	171	171	167
Working Capital Fund, TSC	527	494	
Total RSPA	698	665	167

DEPARTMENT OF TRANSPORTATION AUTHORIZED POSITIONS AND EMPLOYMENT—Continued

Administration/Appropriation	Authorized Positions FY 1986	1/31/86 Employment [1]	Authorized Positions FY 1987
Office of the Secretary:			
Salaries and Expenses	758	695	713
Transportation Planning, Research, and Development	27	29	
Activities Transferred from Salaries and Expenses, I.C.C			160
Limitation on Working Capital Fund	318	291	309
Total OST	1,103	1,015	1,182
DOT Totals:			
Civilian	62,810	59,076	61,180
Military	38,994	38,018	38,652
	101,804	97,094	99,832

[1] For planning purposes "full employment" is achieved when 95% of authorized civilian positions and 100% of authorized military positions are filled by year's end.

POSITION LEVEL CHANGES

Mr. LEHMAN. Would you also provide, by appropriation, the reductions in fiscal year 1986 positions from the Congressionally approved level for fiscal year 1986?

[The information follows:]

DEPARTMENT OF TRANSPORTATION FISCAL YEAR 1986 AUTHORIZED POSITIONS

Administration/Appropriation	Congressionally approved	Current estimate	Change
Federal Highway Administration:			
Motor Carrier Safety (Highway-Trust Fund)	—	—	—
Motor Carrier Safety	283	[1] 373	+90
Limitation on General Operating Expenses	2,629	2,629	—
Federal-Aid Highways	342	329	−13
Allocations	112	112	—
Miscellaneous Trust Funds	15	15	—
Total FHWA	3,381	3,458	+77
National Highway Traffic Safety Administration: Operations and Research	640	640	—
Federal Railroad Administration:			
Rail Service Assistance	43	43	—
Office of the Administrator	161	161	—
Railroad Safety	443	443	—
Railroad Research and Development	15	15	—
Total FRA	662	662	—
Urban Mass Transportation Administration: Urban Mass Transportation Fund	496	496	—
Federal Aviation Administration:			
Operations	[2] 44,836	44,686	−150
Reimbursable	406	437	+31
Headquarters Administration	629	629	—
Reimbursable	56	23	−33
Operation and Maintenance, Metropolitan Washington Airports	707	707	—
Aviation Insurance Revolving Fund	2	2	—
Facilities and Equipment	1,015	1,015	—
Research, Engineering, and Development	851	853	+2

DEPARTMENT OF TRANSPORTATION FISCAL YEAR 1986 AUTHORIZED POSITIONS—Continued

Administration/Appropriation	Congressionally approved	Current estimate	Change
Total FAA	48,502	48,352	−150
U.S. Coast Guard:			
Operating Expenses	4,605	4,604	−1
Acquisition, Construction, and Improvements	224	224	—
Reserve Training	123	123	—
Research, Development, Test, and Evaluation	110	110	—
Offshore Oil Pollution Compensation Fund	7	7	—
CG Yard Fund	654	654	—
Total USCG:			
Civilian	5,723	5,722	−1
Military	39,328	38,994	−334
St. Lawrence Seaway Development Corporation: St. Lawrence Seaway Development Corporation Fund	192	192	—
Office of the Inspector General: Salaries and Expenses	471	471	—
Research and Special Programs Administration:			
Research and Special Programs	171	171	—
Working Capital Fund, TSC	527	527	—
Total RSPA	698	698	—
Office of the Secretary:			
Salaries and Expenses	758	758	—
Transportation Planning, Research, and Development	28	27	−1
Activities transferred from Salaries and Expenses, I.C.C.	—	—	—
Limitation on Working Capital Fund	318	318	—
Total OST	1,104	1,103	−1
DOT Totals:			
Civilian	61,869	61,794	−75
Military	39,328	38,994	−334
Total	101,197	100,788	−409

[1] Includes 90 additional positions requested on March 12, 1986.
[2] Includes 150 aviation safety inspection positions which will be filled to the extent funds are available.

Note: Excludes Maritime Administration.

FTE EMPLOYMENT

Mr. LEHMAN. Would you also provide a similar breakdown of the employment changes for your Department shown on page 6e-16 (Table 7) of the President's budget document?

[The information follows:]

DEPARTMENT OF TRANSPORTATION FULL-TIME EQUIVALENT OF TOTAL EMPLOYMENT [1]

Administration/Appropriation	FY 1986 Estimate	FY 1987 Estimate
Federal Highway Administration:		
Motor Carrier Safety (Highway Trust Fund)	—	401
Motor Carrier Safety	305	—
Limitation on General Operating Expenses	2,704	2,516
Federal-Aid Highways	389	394
Allocations	126	95
Miscellaneous Trust Funds	16	16

DEPARTMENT OF TRANSPORTATION FULL-TIME EQUIVALENT OF TOTAL EMPLOYMENT [1]—Continued

Administration/Appropriation	FY 1986 Estimate	FY 1987 Estimate
Total FHWA	3,540	3,422
National Highway Traffic Safety Administration: Operations and Research	665	645
Federal Railroad Administration:		
Office of the Administrator	181	184
Railroad Safety	434	456
Railroad Research & Development	16	—
Rail Service Assistance	46	—
Total FRA	677	640
Urban Mass Transportation Administration: Urban Mass Transportation Fund:	490	389
Federal Aviation Administration:		
Operations	43,882	42,868
Operation and Maintenance, Metro. Washington Airports	709	692
Aviation Insurance Revolving Fund	2	2
Facilities and Equipment	1,187	1,017
Research, Engineering, and Development	702	563
Total FAA	46,482	45,142
U.S. Coast Guard:		
Operating Expenses	4,504	4,467
Acquisition, Construction, and Improvements	219	219
Reserve Training	106	106
Research, Development, Test, and Evaluation	103	103
Offshore Oil Pollution Compensation Fund	7	—
CG Yard Fund	632	632
Total USCG	5,571	5,527
Maritime Administration: Operations and Training	1,065	1,048
St. Lawrence Seaway Development Corporation: St. Lawrence Seaway Development Corporation Fund	194	194
Office of the Inspector General: Salaries and Expenses	458	454
Research and Special Programs Administration:		
Research and Special Programs	182	183
Working Capital Fund, TSC	515	231
Total RSPA	697	414
Office of the Secretary:		
Salaries and Expenses	749	729
Transportation Planning, Research, and Development	32	—
Limitation on Working Capital Fund	315	298
Activities transferred from S&E, Interstate Commerce Commission	—	155
Total OST	1,096	1,182
DOT total	60,935	59,057

[1] Excludes development positions under the Worker Trainee Opportunity Program (WTOP) as well as certain statutory exemptions.

Note: This data corrects employment totals shown on page 6e–16 (Table 7) of the President's budget which is in error.

AIR TRAFFIC CONTROLLER EMPLOYMENT

Mr. LEHMAN Would you update for the record, starting with June 30, 1985, the table on air traffic controller employment included on page 135 of last year's hearing?

[The information follows:]

Air Traffic Controller Workforce Employment

The chart below provides the monthly controller workforce employment for the period February 28, 1985 through January 31, 1986:

	Operational	(FPL)	Developmentals	Air traffic assistants	Total
Feb. 28, 1985	10,322	(7,779)	2,234	1,703	14,259
Mar. 31, 1985	10,335	(7,891)	2,169	1,667	14,171
April 30, 1985	10,374	(7,984)	2,133	1,642	14,149
May 31, 1985	10,376	(8,075)	2,110	1,615	14,101
June 30, 1985	10,371	(8,153)	2,101	1,592	14,064
July 30, 1985	10,399	(8,211)	2,100	1,544	14,043
Aug. 31, 1985	10,408	(8,295)	2,068	1,505	13,981
Sept. 30, 1985	10,386	(8,315)	2,146	1,466	13,998
Oct. 30, 1985	10,418	(8,374)	2,102	1,451	13,971
Nov. 30, 1985	10,440	(8,428)	2,124	1,448	14,012
Dec. 31, 1985	10,454	(8,525)	2,059	1,465	13,978
Jan. 31, 1986	10,428	(8,587)	2,094	1,450	13,972

AUTHORIZING LEGISLATION

Mr. Lehman. Would you have your staff prepare and submit for the record a summary of all your fiscal year 1987 appropriation requests which require legislative authorizations?

[The information follows:]

DEPARTMENT OF TRANSPORTATION

AUTHORIZING LEGISLATION TO BE PROPOSED
($ in thousands)

	1987 Amount Requiring Authorizing Legislation	Status of Authorizing Legislation as of 3/6/86
FEDERAL HIGHWAY ADMINISTRATION		
Federal-Aid Highways (Contract Authority)	$8,670,000	Surface Transportation Reauthorization Act (STRA) transmitted to Congress 2/5/86. Introduced in House as H.R. 4144 on 2/6/86.
Highway-Related Safety Grants (Contract Authority)	10,000	
Highway Safety Research and Development	7,000	
Motor Carrier Safety (Trust Fund)	19,515	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION		
Operations and Research (Federal)	54,890	H.R. 2248; pending before the House Committee on Energy and Commerce. S.863 reported on on 5/14/85.
Operations and Research (Trust)	29,040	STRA transmitted to Congress 2/5/86; introduced in House as HR 4144 on 2/6/86.
Highway Traffic Safety Grants (Contract Authority)	110,000	
(Liquidation of Contract Authority)	(118,000)	
URBAN MASS TRANSPORTATION ADMINISTRATION		
Transportation Block Grants (Contract Authority)	1,220,000	STRA transmitted to Congress 2/5/36; introduced in House as HR 4144 on 2/6/86.
(Liquidation of Contract Authority)	(264,625)	
FEDERAL AVIATION ADMINISTRATION		
Operations (Trust)	1,823,085	Bill submitted in April 1985 was not introduced. DOT will urge consideration and introduction.

DEPARTMENT OF TRANSPORTATION

AUTHORIZING LEGISLATION TO BE PROPOSED
($ in thousands)

	1987 Amount Requiring Authorizing Legislation	Status of Authorizing Legislation as of 3/6/86
U. S. COAST GUARD		
Reserve Training	65,200	In DOD, being developed.
Operating Expenses	1,832,800	Authorization cleared OMB on 3/4/86.
Acquisition, Construction, and Improvements	77,100	
Research, Development, Test, and Evaluation	20,500	
User Fees	238,000	Introduced as H.R. 1936 on 4/3/85 and S. 1318 on 6/18/85. Both still pending.
MARITIME ADMINISTRATION		
Operating Differential Subsidies (Liquidation of Contract Authority)	(320,000)	Draft under review in Dept. H.R. 4175 introduced in the House on 2/26/86. DOT sent letter to Congressman Biaggi on 3/3/86.
Research and Development	5,500	
Operations and Training	53,343	
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION		
Research and Special Programs	14,823 a/	Draft under review in Department.
Hazardous Material Programs	(6,706)	
Pipeline Safety Programs	(8,117)	H.R. 2092 reported by 3 different committees in 4/85, 5/85 and 7/85, and is on the Union calendar in the House. S. 813 passed Senate 4/18/85.

a/ Reflects correction of amount shown in 1987 Appendix.

RESCISSIONS AND DEFERRALS

Mr. LEHMAN. Would you also have them submit for the record a listing of all pending budget rescissions and deferrals and any rescissions or deferrals that your budget contemplates?

[The information follows:]

[Dollar amount in thousands]

FY 1986 rescissions:	
Federal Railroad Administration:	
Rail Service Assistance	$14,355
Northeast Corridor Improvement Program	11,962
Redeemable Preference Shares	32,059
Urban Mass Transportation Administration:	
Discretionary Grants	297,675
Unobligated balance	(223,600)
Deferrals:	
Federal Railroad Administration: Conrail Labor Protection	4,565
Federal Aviation Administration: Facilities and Equipment	1,368,162
Maritime Administration:	
Operations and Training:	
Training Ship Replacement (Univ. of N.Y. Maritime Coll.)	8,500
Fuel Costs (State Maritime training ships)	850

NEW LEGISLATION

Mr. LEHMAN Would you provide a brief summary of any new legislative proposals that will have an impact on your fiscal year 1987 budget.

[The information follows:]

NEW DOT LEGISLATIVE PROPOSALS WITH BUDGET IMPACT (OTHER THAN SIMPLE REAUTHORIZATIONS)

Cargo Preference—Legislation will be proposed to repeal the amendments made by the 1985 farm legislation which increased the cost of cargo preference provisions.

Coast Guard Authorization—Legislation will be proposed to reauthorize certain Coast Guard activities and to allow Coast Guard to transfer $30 million to Operating Expenses from the Boat Safety Account.

Coast Guard User Fees—This legislation would recover from users approximately 25% of Coast Guard operating costs. (Transmitted in 1985.)

CONRAIL Sale—This would authorize DOT to sell the Consolidated Rail Corporation to Norfolk-Southern. (Transmitted in 1985.)

Essential Air Service—This legislation would accelerate the scheduled sunset date for the authority to subsidize commuter air carriers. (Transmitted in 1985, seek revised sunset date and retention of "commuter fitness" requirements).

FAA Funding—This legislation would fund 75% of operating costs from the Airport and Airways Trust Fund and take other steps to improve recovery of FAA costs from the Trust Fund. (Transmitted in 1985.)

ICC Sunset—Legislation will be proposed to end Federal economic regulation of the truck, bus, and barge industries. Rail freight economic regulatory authority would be transferred without substantive change to the Departments of Transportation and Justice.

Maritime Double Subsidy—This legislation would amend current law so that ships would not receive Federal operating subsidies for trips when they carry cargoes which are indirectly subsidized because of the cargo preference laws. (Transmitted in 1985.)

Metropolitan Washington Airport Transfer—This would authorize transfer of National and Dulles airports to a regional airport authority. (Transmitted in 1985.)

Pipeline User Fee—This bill would allow the Department of Transportation to charge a user fee for the costs associated with the Department's pipeline safety programs.

Surface Transportation Reauthorization—This bill would restructure and reauthorize highway construction, highway safety and transit programs. It would create a new Highway and Transit Block Grant program.

Title XI Loan Guarantee—Legislation will be proposed to repeal the authority to guarantee new loans for ship construction.

AUTHORIZING CITATIONS

Mr. LEHMAN Would you also provide the Committee a brief listing of all dollar and legislative requests contained in your fiscal year 1987 budget along with the corresponding authorizing citation for each item?

[The information follows:]

DEPARTMENT OF TRANSPORTATION

AUTHORIZING LEGISLATION TO BE PROPOSED
($ in thousands)

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(Liquidation of Contract Authority)	(118,000)	
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DEPARTMENT OF TRANSPORTATION

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Pipeline Safety Programs	(8,117)	H.R. 2092 reported by 3 different committees in 4/85, 5/85 and 7/85, and is on the Union calendar in the House. S. 813 passed Senate 4/18/85.

a/ Reflects correction of amount shown in 1987 Appendix.

"REFORM '88" PROGRAM

Mr. LEHMAN. The President's budget message (pages 8 and 9) refers to a "Reform '88" program designed to reduce overhead costs and increase productivity by 20 percent by 1992. What actions is your Department taking in this area, and what savings are reflected in your budget as a result of these actions?

[The information follows:]

Reform '88 has been expanded to include a comprehensive program for productivity improvement within the Federal Government. These past efforts have provided a solid foundation upon which the President's newly announced Productivity Improvement Program can be developed.

The goal of the Productivity Improvement Program is to improve Federal productivity in selected functions by 20 percent by 1992. Productivity is defined for the purposes of this program as the efficiency with which resources are used to produce a government service or product at specified levels of quality and timeliness. In order to implement the Productivity Improvement Program within the Department of Transportation, all Operating Administrations have developed initiatives which target selected functions for productivity improvement. We are working with the Office of Management and Budget to select a limited number of initiatives for implementation in this first year of the program including ongoing programs whch are resulting in improved productivity.

Because our decisions regarding specific productivity initiatives are still in process, projected savings have not yet been reflected in our budget planning. In addition, initiatives eventually selected for the productivity program may not by definition result in budgetary savings per se but in improved services (timeliness and quality) at current budget levels. Some of the proposed initiatives include the following management improvements:

U.S. Coast Guard: to improve the review and approval process for design, construction, alteration, and repair plans of U.S. commercial vessels through organizational consolidation and computer consolidation resulting in reduced resources.

Federal Aviation Administration: to improve productivity through completing instrument approach procedure automation.

Federal Highway Administration: to expand use of alternate bridge designs and construction methods for State highway projects resulting in a more efficient use of Federal-aid highway funds.

A-76 SAVINGS

Mr. LEHMAN. Would you also provide a breakdown of the A-76 dollar savings by agency for fiscal years 1985, 1986 and 1987?

[The information follows:]

[Dollars in thousands]

Agency	Fiscal year		
	1985	1986	1987
OST	—	$120	$12
USCG	$154	3,750	1,386
FAA	1,548	3,348	4,062
FHWA	—	180	—
FRA	—	12	—
NHTSA	—	60	—
UMTA	—	60	—
SLSDC	—	—	36
MARAD	—	276	—
Total	1,702	7,806	5,496

SPENDOUT RATES

Mr. LEHMAN. Please also provide a breakdown of the spendout rates for each appropriation in the last seven appropriation bills (excluding supplementals).

[The information follows:]

The tables listed below provide a breakout of spendout rates for each appropriation in the last seven appropriation bills. Since it is not possible to distinguish outlays resulting from regular appropriations from outlays resulting from supplementals or transferred amounts, supplementals and transfers (in) of budget authority and unobligated balances are included.

Actual outlay spendouts are provided for all annual and multi-year accounts. Spendouts for annual and multi-year accounts are identifiable in the year(s) for which the budget authority is available and for two years after the availability expires. Thereafter, the outlays are merged into an "M" account and are not identifiable by year.

For most no-year accounts there is *no* way to identify the actual outlay spendout by year, i.e. the outlays in any given year could result from appropriations in the current year or any previous year. For these accounts, the actual outlays have been prorated by year, using the most recent outlay spending factors.

		Budget Authority	Outlays						
			1979	1980	1981	1982	1983	1984	1985
Federal Highway Administration									
Motor Carrier Safety (Annual)	1979	8,571	7,245	497	352				
	1980	10,004		8,490	405	3			
	1981	10,610			9,414	411			
	1982	9,593				8,217	924	3	
	1983	12,260					10,848	1,057	74
	1984	12,520						10,950	637
	1985	12,740							11,374
Mianus Bridge (Annual)	1984	1,000						163	279
Safer-Offsystem Roads (Multi-year)	1979	15,000	338			14,662			
	1980	55,000		1,238		13,610	12,066	8,782	2,676
Motor Carrier Safety Grant (Multi-year)	1984	8,000						1,671	4,258
	1985	14,000							4,814
Off-System Railway-Highway Crossings (No-year)	1979	15,000							4,362
Bicycle program (Annual)	1980	4,000			1,055	1,010	352	215	266
Sandhill Crane (No-year)	1979	4,000	4,000						

			Outlays					
		Budget Authority	1979	1980	1981	1982	1983	1984	1985
Access Highways to Public Recreation Areas on Certain lakes (Multi-year)	1979	7,900	423	5,213	1,043	43	91	-7	
	1980	4,590		500	3,424	-3,924			
	1981	13,098				1,127	-1,127		
	1982	9,650				4,550	1,650	1,839	464
	1983	20,798					2,748	9,633	2,906
	1984	4,270						1,374	854
	1985	5,000							
(No-year)	1982	6,875						80	32
Highway Crossings (Multi-year)	1979	16,000		4,057	11,943				
	1980	14,000			4,594	3,329	3,411	1,260	
Highway Safety Separation Demonstration (No-year)	1985	12,000							49
Auto-Pedestrian Separation Demonstration (No-year)	1985	1,750							0
Project Acceleration Demonstration (No-year)	1979	10,000		9,362	547	81	4	6	
Carpool Vanpool Support (Annual)	1980	4,000		127	969	1,041	755	467	119
Intermodal Urban Demonstration (No-year)	1985	2,750							45

		Budget Authority	Outlays						
			1979	1980	1981	1982	1983	1984	1985
PRORATED									
Waste Isolation Pilot Project (No-year)	1984	5,800							
	1985	16,400						32	113
									122
Carpool/Vanpool Projects (No-Year)	1980	3,000							
	1981	1,000			9	396	624	533	575
					1	90	186	174	203
Motor Carrier Safety (No-year)	1979	4,000	713	630	1,506	1,111	40		
	1980	3,800		630	1,506	1,462	164	38	
	1981	3,740			1,505	1,462	698	38	37
	1982	3,300				1,462	732	339	233
	1983	520					463	36	11
	1984	600						338	238
	1985	1,162							233
Highway Beautification (No-year)	1979	13,135	2,627	4,203	3,152	1,576	1,051	526	
	1980	8,500		1,700	2,720	2,040	1,020	680	340
	1981	6,600			1,584	2,112	1,584	792	528
	1982	500				100	160	120	60
	1983	500					100	160	120
Territorial Highways (No-year)	1979	6,600	1,320	2,112	966	1,410	528	255	
	1980	6,600		1,320	1,545	2,151	792	510	132
	1981	6,600			1,158	2,274	1,584	765	263
	1982	3,000				600	960	696	180
	1983	3,000					600	929	360
RR Highway Crossing Demo (No-year)	1979	40,000	5,854	7,943	8,643	9,882	4,866	2,812	
	1980	20,000		2,481	5,214	5,732	3,413	2,360	751
	1981								
	1982	17,335				2,685	5,232	5,258	1,912
	1983								
	1984	15,000						3,000	4,506
	1985	29,640							5,626

		Budget Authority	Outlays						
			1979	1980	1981	1982	1983	1984	1985
National Scenic & Rec Highway (No-year)	1979	25,000	5,000	8,000	6,000				
	1981	25,000		5,000	8,000				
	1982	25,000			5,000				
Alaska Highway (No-year)	1979	15,000	3,000	4,800	3,600	1,800	1,788	12	
	1980	2,500		500	800	600	379	7	214
Highway Safety R&D (No-year)	1979	9,000	1,800	2,880	2,160	1,080	540	460	80
	1980	9,500		1,900	3,040	2,280	855	890	535
	1981	9,000			1,800	2,880	1,620	1,375	965
	1982	6,360				1,272	1,518	1,737	1,070
	1983	8,000					1,200	2,515	2,365
	1984	8,500						1,445	2,975
	1985	8,500							1,700
Highway Related Safety Grants (No-year)	1979	24,673	4,935	7,895	5,920	2,960	1,603	1,005	257
	1980	24,673		4,935	7,895	5,920	2,406	1,890	1,178
	1981	24,673			4,935	7,895	4,808	3,007	2,202
	1982	10,000				2,000	2,598	2,215	1,438
	1983	9,869					1,603	2,605	2,383
	1984	9,802						1,447	2,643
	1985	10,000							1,447
Federal-Aid Hwys (No-year)	1979	7,976,365	1,340,030	4,179,615	1,212,405	365,396	232,833	212,712	227,726
	1980	8,680,391		1,458,305	4,548,525	1,313,969	404,748	231,486	247,825
	1981	9,045,003			1,519,560	4,719,999	1,394,423	382,610	258,235
	1982	8,303,500				1,389,225	4,356,797	1,160,629	376,034
	1983	12,679,299					2,130,122	6,109,634	1,897,338
	1984	13,785,387						2,129,693	7,111,471
	1985	14,908,042							2,465,693

		Budget Authority	Outlays						
			1979	1980	1981	1982	1983	1984	1985
Overseas Highway (No-year)	1979	87,100	12,591	32,701	20,904	10,452	4,190	137	345
National Highway Traffic Safety Administration									
Operations & Research (Annual)	1979	28,403	22,859	4,302	666				
	1980	30,754		26,512	3,576	244			
	1981	31,830			27,009	2,880	664		
	1982	30,331				23,840	4,060	1,145	
	1983	33,770					28,532	2,094	1,125
	1984	32,074						29,879	1,093
	1985	24,391							29,465
State and Community Highway (Annual)	1980	20,000		11,550	8,450				
Prorated									
Operations and Research (No-year)	1979	32,918	20,792	8,982	1,920	1,139	51	10	2
	1980	53,706		31,888	15,424	4,290	1,719	251	31
	1981	51,656			29,156	16,563	3,508	2,001	223
	1982	44,569				25,439	12,269	4,316	1,290
	1983	40,530					20,301	13,029	2,979
	1984	46,226						22,933	12,170
	1985	57,959							32,501
State and Community Highway Safety (No-year)	1979	172,000	92,657	58,252	13,717	5,813	336	56	55
	1980	176,553		94,661	59,508	13,947	6,998	817	146
	1981	107,889			52,422	32,401	12,578	4,971	1,275
	1982	136					60	14	18

		Budget Authority	Outlays 1979	1980	1981	1982	1983	1984	1985
Highway Traffic Safety Grants	1982	102,363				55,271	30,479	9,695	4,261
(No-year)	1983	141,233					66,806	44,564	14,949
	1984	148,100						62,004	42,176
	1985	176,500							58,751
Federal Railroad Administration									
Office of the Administrator	1979	8,530	7,588	846	-24				
(Annual)	1980	7,943		7,723	128	-298			
	1981	8,338			7,562	95	187		
	1982	7,222				5,670	990	2,173	
	1983	13,225					9,947	1,953	150
	1984	11,680						9,656	1,082
	1985	10,700							8,690
Railroad Safety	1979	17,091	15,282	952	6				
(Annual)	1980	18,900		17,488	1,369	-513			
	1981	19,650			19,481	-764	750		
	1982	20,676				18,696	1,241	132	
	1983	23,200					19,835	1,840	7
	1984	28,900						23,101	4,210
	1985	26,061							22,068
Rail Labor Assistance	1980	6,500			6,500				
(Annual)	1981	61,600			61,600				
(No-year)	1981	69,000			69,000				
	1982	25,000				25,000			
	1983	9,000					0		
Settlements of Railroad Litigation	1981	2,126,069			2,126,069				
	1982	821,314				821,314			
(No-year)	1983	86,505					86,505		
	1984	42,879						42,879	
	1985	493							493

		Budget Authority	Outlays						
			1979	1980	1981	1982	1983	1984	1985
Commuter Rail Service (No-year)	1982	70,000				24,732	45,268		
	1983	90,000					89,908		
Rail Service Assistance (Annual)	1982	12,182				6,182	4,355	43	
Conrail Labor Prot. (Annual)	1984	35,000						35,000	
Railroad Safety (No-year)	1979	7,040	5,744	1,296					
	1980	9,100		7,426	1,674				
	1981	7,600			6,201	1,399			
	1982	3,500				2,856	401	241	2
	1983	4,600					2,440	2,340	20
Railroad R&D (No-year)	1979	51,980	31,604	9,980	5,198	4,643	332	98	56
	1980	54,750		33,288	10,512	4,891	3,630	1,070	668
	1981	50,000			30,400	8,576	3,609	3,266	1,858
	1982	30,000				16,294	4,616	2,683	2,869
	1983	17,000					6,192	3,263	2,617
	1984	16,225						4,345	3,866
	1985	15,355							4,179
Rail Service Assistance (No-year)	1979	83,423	31,700	23,358	16,509	4,973	2,332	3,299	7,313
	1980	162,772		61,853	26,528	31,202	14,634	20,698	20,252
	1981	121,161			26,799	22,300	24,418	34,535	9,645
	1982	9,014				1,437	2,568	3,631	844
	1983	32,388					4,170	12,472	8,030
	1984	85,973						23,681	4,813
	1985	31,420							767

			Outlays						
		Budget Authority	1979	1980	1981	1982	1983	1984	1985
Northeast Corridor	1979	490,000	29,400	132,300	141,914	120,902	40,779	16,263	5,349
(No-year)	1980	381,000		22,860	63,390	141,766	95,269	37,994	12,496
	1981	350,000			12,940	66,527	124,879	95,884	31,536
	1982	170,000				6,616	30,815	64,888	42,884
	1983	115,000					4,297	22,154	41,533
	1984	100,000						3,950	18,407
	1985	27,600							1,049
Grants to Nat'l Railroad	1979	779,000	779,000						
Passenger Corp.	1980	873,400		823,400	45,727	3,765	386	111	10
(No-year)	1981	881,000			805,704	66,342	6,795	1,966	168
	1982	735,000				647,593	66,330	19,188	1,646
	1983	780,000					591,917	171,231	14,684
	1984	1,938,233						1,764,573	151,314
	1985	684,000							595,987
Alaska Railroad									
Revolving	1979	9,300	9,300						
Fund	1980	6,500		6,500					
(No-year)	1981	12,640			3,863	1,775	4,976	2,026	
	1982	6,160				1,245	3,493	1,422	
	1983	7,600					5,401	2,199	
Railroad Rehabilita-									
tion and Improve-	1979	170,000	8,500	8,500	34,000	50,902	37,537	17,960	1,257
ment financing	1980	40,000		2,000	2,000	6,844	8,354	12,225	855
funds (No-year)	1981	23,766			1,188	1,016	2,715	6,187	1,263
	1982	66,396				2,840	2,095	8,805	2,935
	1983	5,749					158	245	132
	1984	64						2	6
Conrail Labor									
Protection	1982	186,000				124,161	38,517	8,225	3,036
(No-year)	1983	19,600					12,210	2,606	962
	1984	26,000						9,169	3,385
	1985	15,000							3,016

		Budget Authority	Outlays 1979	1980	1981	1982	1983	1984	1985
Urban Mass Transportation Administration									
Urban Mass Transportation Administration (Annual)	1979	1,821,827	69,956	347,018	436,502	422,543	334,511	260,435	-50,575
	1980	1,717,959		38,173	376,763	554,432	284,456	161,896	99,483
Administrative Expenses (Annual)	1981	23,200			22,018	991	-22		
	1982	24,388				22,515	1,628	52	
	1983	28,407					24,647	1,915	1,070
	1984	29,200						30,541	-1,255
	1985	31,000							27,047
Waterborne Trans. (No-year)	1981	2,000				46	1,011	650	148
Discretionary Grants (Annual/Multi-year)	1981	2,190,000			101,520	342,578	656,270	616,704	183,104
	1982	1,449,500				13,742	388,442	386,788	235,091
	1983	1,606,000					14,769	412,602	404,866
Prorated									
Research, Training, and Human Resources	1981	66,540			8,471	26,246	13,669	9,557	3,608
	1982	51,600				15,993	10,931	10,274	6,044
(No-year)	1983	58,250					14,236	13,971	10,164
	1984	54,800						12,982	10,651
	1985	51,000							9,632
Urban Mass Transportation Administration	1979	2,388,821	2,149,939	230,452	8,430				
(No-year)	1980	2,984,300		2,591,075	393,225				
	1981	1,500,000			1,350,000	150,000			
	1982	1,200,000				1,080,000	120,000		
	1983	681,135					613,022		68,113
Non-Urban Formula Grants (No-year)	1981	72,500			4,915	11,212	13,312	20,918	13,777
	1982	68,500				8,567	9,943	17,165	19,792
	1983	68,500					9,125	14,606	18,222
Discretionary Grants (No-year)	1982	15,000							5,595
	1983	85,650							23,426

			Outlays						
		Budget Authority	1979	1980	1981	1982	1983	1984	1985
Urban Formula Grants	1981	1,455,000			703,840	299,966	145,991	182,620	63,913
(No-year)	1982	1,365,250				686,064	92,790	180,653	298,706
	1983	1,200,000					669,880	75,650	99,290
Interstate Transfer	1981	865,000			33,691	138,684	133,886	272,666	146,332
Grants (No-year)	1982	560,000				37,301	64,114	185,613	118,028
	1983	412,000					21,223	101,490	135,381
	1984	296,400						31,321	63,672
	1985	250,000							27,496
Washington Metro	1983	240,000						52,561	35,376
(No-year)	1984	250,000						10,950	19,944
	1985	250,000							4,836
Formula Grants	1984	2,388,592						607,600	396,935
(No-year)	1985	2,449,500							537,005
Mass Transportation	1983	779,000					3,131	174,407	212,890
Capital Fund	1984	980,500						58,789	241,291
(No-year)	1985	622,500							52,817
Federal Aviation Administration									
Operations	1979	2,032,743	1,866,226	145,148	11,900				
(Annual/Multi-year)	1980	2,169,544		2,033,737	153,322	3,961			
	1981	2,340,400			2,163,148	130,289	16,781		
	1982	2,271,994				1,997,908	229,804	26,114	325
	1983	2,522,483					2,188,714	268,522	21,254
	1984	2,593,100						2,325,690	227,934
	1985	2,697,414							2,455,196

			Outlays						
		Budget Authority	1979	1980	1981	1982	1983	1984	1985
Operation and Maintenace									
Metropolitan Wash.	1979	24,488	21,079	2,166	913				
Airport (Annual)	1980	27,327		24,098	2,781	132			
	1981	29,208			24,777	3,655	235		
	1982	30,438				25,537	3,508	491	
	1983	31,955					28,694	2,645	269
	1984	34,557						30,223	3,988
	1985	35,932							32,115
Construction, Metropolitan									
Wash. Airport	1979	5,000		773	1,550	621	401		
	1980	6,785			320	1,794	2,504	767	
(Multi-year)	1981	16,200			11	278	5,778	3,777	193
	1982	26,700					4,592	6,661	3,420
	1983	11,080						3,397	3,653
	1984	14,250						3,056	6,152
	1985	10,500							4,221
Facilities and Equipment	1979	258,700	32,659	70,978	100,966	62,032	35,465	23,229	21,344
(Multi-year)	1980	292,815		41,032	73,309	71,977	48,238	22,557	42,751
	1981	350,000			27,825	88,723	73,921	55,057	64,861
	1982	260,847				22,458	39,541	34,292	111,339
	1983	625,000					30,652	101,263	75,303
	1984	750,000						22,488	3,779
	1985	1,358,000							90,968
Pro-rated									
Operations	1982	19,945				1	9,848	-3,400	8,895
(No-year)	1983								
	1984								
	1985	2,000							1,193

			Outlays						
		Budget Authority	1979	1980	1981	1982	1983	1984	1985
Facilities, Engineering, and Development (No-year)	1979	18,370	2,131	5,125	4,997	3,545	1,545	685	83
	1980	20,500		2,378	5,720	5,576	3,618	1,484	420
	1981	21,155			2,454	5,902	5,261	3,030	843
	1982	8,797				1,020	2,244	1,738	619
	1983	18,255					1,937	3,518	1,623
Grants-in-Aid for Airports (No-year)	1979	644,140	68,279	278,913	135,494	42,232	37,012	29,304	38,474
	1980	677,000		71,762	276,511	106,016	78,575	43,949	50,701
	1981	570,461			57,038	158,417	139,835	72,301	60,849
	1982	476,218				31,931	143,353	103,289	92,819
	1983	800,000					54,088	207,637	252,974
	1984	993,500						237,418	216,760
	1985	987,000							76,080
Facilities & Equipment (No-year)	1979	86,660	10,052	19,074			1,967	1,331	3,779
Research, Engineering and Development (No-year)	1979	75,100	39,578	28,012	7,510				
	1980	75,000		39,525	27,975	6,968	399	93	33
	1981	85,000			44,795	29,456	8,054	1,892	671
	1982	71,800				35,156	22,077	10,228	3,628
	1983	103,000					40,673	36,528	21,569
	1984	263,452						94,478	119,239
	1985	265,000							116,754
Aircraft Purchase Loan Guarantee Program (No-year)	1983	102,490					79,000	23,004	179
	1984	8,720						8,539	482
	1985	13,321						13,209	

		Budget Authority	Outlays					
			1979	1980	1981	1982	1983	1984	1985
United States Coast Guard									
Acquisition, Construction, and Improvements	1979	286,617	31,926	49,704	68,216	102,528	20,000		
	1980	286,011		42,010	58,426	65,485	113,803	3,331	
(Multi-year)	1981	333,985			46,434	76,824	107,279	87,368	14,640
	1982	684,000				37,308	175,830	177,005	145,151
	1983	400,000					61,801	104,891	78,069
	1984	669,000						79,889	136,546
	1985	374,200							66,248
Retired Pay	1979	177,500	174,412	1,572	66				
(Annual)	1980	206,900		205,508	439	-132			
	1981	244,000			288,673	4	27		
	1982	265,000				258,051	2,484	-36	
	1983	309,350					289,577	8,037	89
	1984	315,200						302,724	7,100
	1985	330,800							291,539
Headquarters Administration (Annual)	1983	75,090					75,090		
Prorated									
Offshore Oil Pollution Fund									
(No-year)	1980	1,070		-117	-416	261	325	24	83
	1981	576			-251	134	168	13	43
	1982	2,000				325	406	30	103
	1983	1,000					242	18	62
	1984								
	1985	1,000							84
Deepwater port liability Fund									
(No-year)	1981	5,000			-181	69	-9		1
	1982	2,000				27	-4		
	1983	1,000					-2		
	1984	1,000							0
	1985	1,000							0

			Outlays						
		Budget Authority	1979	1980	1981	1982	1983	1984	1985
C.G. general gift fund	1979	25	11	4		5			1
(No-year)	1980	21		7	-1	9	-1		1
	1981	79			-3	41	-2	1	6
	1982	10				5			1
	1983	49					-3	1	8
	1984	18							3
	1985	22							4
Boat Safety	1983	12,500					5,095	5,483	1,922
(No-year)	1984	12,500						5,247	7,253
	1985	28,625							17,705
Operating Expenses	1979	987,546	839,414	147,405	717	10			
(No-year)	1980	1,115,209		943,275	169,481	2,388	62	3	
	1981	1,336,973			1,120,216	210,991	5,490	263	12
	1982	1,482,456				1,226,366	243,659	11,645	546
	1983	1,528,708					1,237,292	277,458	12,997
	1984	1,690,542						1,368,131	300,214
	1985	1,753,572							1,387,917
Alteration of Bridges	1979	14,900	2,861	9,974	2,065				
(No-year)	1980	7,650		1,217	6,433				
	1981	15,850			3,043	6,955	1,770	2,451	357
	1982	11,000				1,147	2,980	4,126	601
	199983	12,700					737	7,182	1,047
	1984	8,600						991	1,665
	1985	13,600							572
Reserve Training	1979	40,600	36,459	4,063	74	4			
(No-year)	1980	42,855		37,758	4,805	282	10		
	1981	49,483			41,890	7,328	252	12	1
	1982	51,483				44,615	6,530	320	17
	1983	54,000					46,109	7,463	397
	1984	55,355						47,016	7,741
	1985	59,223							49,372

		Budget Authority	Outlays 1979	1980	1981	1982	1983	1984	1985
Research, Development, Test and Evaluation	1979	20,000	10,540	9,460					
	1980	22,000		11,594	10,406				
(No-year)	1981	25,000			13,175	8,183	3,642		
	1982	18,000				10,201	7,799		
	1983	20,000					10,540	8,792	505
	1984	22,500						11,019	8,690
	1985	23,000							9,174
State Boating (No-year)	1979	5,000	3,481	1,470	49				
CG Supply Fund (No-year)	1981	1,500					1,007		
	1982	1,320					884		
Office of the Inspector General									
Salaries and Expenses	1979	6,419	4,750	180	-30				
(Annual)	1980	12,363		10,250	288	17			
	1981	14,657			10,696	1,297	45		
	1982	13,523				11,708	194	74	
	1983	25,355					22,141	1,039	104
	1984	26,795						20,465	3,142
	1985	27,900							22,816
Research and Special Programs Administration									
Research and Special Programs	1979	10,165	9,823	335	-91				
	1980	12,121		10,138	1,518	178			
(Annual)	1981	15,047			11,825	1,660	645		
	1982	12,598				10,663	1,342	248	
	1983	10,472					9,551	723	127
	1984	12,000						9,173	2,831
	1985	12,875							11,120

		Budget Authority	Outlays						
			1979	1980	1981	1982	1983	1984	1985
Office of the Secretary									
Salaries and Expenses (Annual)	1979	31,319	28,059	2,225	106				
	19809	31,790		30,174	413	-6			
	1901	36,207			34,108	-658	-108		
	1982	35,262				35,653	-2,929	-53	
	1983	37,180					37,763	-5,307	-2,667
	1984	37,275						35,791	-4,405
	1985	46,549							50,385
Prorated									
Salaries and Expenses (No-year)	1983	3,220					2,846	374	
	1984	4,000						3,536	464
	1985	4,000							3,536
Transportation, Planning, Research, & Development (No-year)	1979	12,450	6,848	5,602					
	1980	9,425		5,184	3,241				
	1981	9,749			5,362	4,387			
	1982	3,350				1,842	1,440	64	3
	1983	4,900					2,573	2,414	74
	1984	4,878						2,517	2,000
	1985	5,635							2,625
Payments to Air Carriers (No-year)	1985	41,419							33,687
Gifts and Bequests (No-year)	1985	26							0

GRACE COMMISSION RECOMMENDATIONS

Mr. LEHMAN. Would you update for the record the status of the Grace Commission recommendations similar to that on pages 143 and 144 of last year's hearings?

[The information follows:]

STATUS OF GRACE COMMISSION RECOMMENDATIONS

Following is a list of the Grace Commission recommendation areas, showing whether they have been implemented, are reflected in the 1987 budget, are being held, or under study (since most recommendations include several sub-elements, status may be shown in more than one category simultaneously).

Recommendation Area	Implemented or Underway	In 1987 Budget	Being Held	Under Study
TRANS 01: Modify Departmental R&D policy and goal-setting practices and the R&D organizational structure in the Office of the Secretary	X	X		
Trans 02: Improve cash management practices, including early payment, checks-paid method, collection of excess cash, and delay-of-drawdown program	X			
Trans 03: UMTA and DOT should design, develop, install and maintain a new computerized grant management and control system	X			
Trans 04: Reduce regional offices from 10 to 6 and reduce administrative support costs	X			X
Trans 05: Consolidate ADP functions in similar organizations and establish structured procedures for ADP development in DOT	X			
Trans 06: Consolidate Federal Highway Program Categories and increase State flexibility	X	X		
Trans 07: Simplify FHWA environmental regulatory requirements				X
Trans 08: Combine FHWA and UMTA			X	
Trans 09: Modify UMTA grantee requirement review procedures	X		X	

Recommendation Area	Implemented or Underway	In 1987 Budget	Being Held	Under Study
Trans 10: Consolidate FRA Safety & R&D functions & collect user fees	X	X	X	
Trans 11: Reorganize land safety functions	X	X		
Trans 12: Redefine Federal/State roles in highway real estate and streamline Federal resources	X		X	
Trans 13: Centralize within DOT responsibility for all Federal Lands Roads programs, and finance them through the Trust Fund	X			
Trans 14: Cancel the Uniform Tire Quality Grading System			X	
Trans 15: Consolidate FAA regional centers and Air Traffic Control Centers				X
Trans 16: Close low-volume control towers, defederalize tower operations, and reduce operating hours at selected towers	X			X
Trans 17: Establish fee policy for MWA consistent with other major metropolitan airports			X	
Trans 18: Develop plan for and consolidate flight service stations	X	X		X
Trans 19: Institute Coast Guard user fees and shift responsibility for selected CG functions to private sector	X	X		
Trans 20: Eliminate operating differential subsidies for non-competitive preference cargo and develop fair and reasonable rate guidelines	X	X		
Trans 21: Modify ship financing loan guarantees and financial terms; increase guarantee fees	X	X		

GRACE COMMISSION SAVINGS

Mr Lehman. Would you provide a listing of the actual dollar savings by fiscal year resulting from the implementation of the Grace Commission recommendations, identifying the amount and the specific recommendation to which it pertains?

[The information follows:]

GRACE COMMISSION SAVINGS, FISCAL YEARS 1985–87

[In Millions of Dollars] [1]

	Fiscal year		
	1985	1986	1987
Trans 01	24.9	72.5	[2]72.5
Trans 02	4.0	6.0	
Trans 04	0.33	0.33	
Trans 05	1.5	2.8	
Trans 10	4.5	5.1	5.9
Trans 16			2.0
Trans 18		0.6	3.5
Trans 19		100.0	288.0
Trans 20			32.0
Trans 21		13.0	12.75
Trans 22	0.42	0.95	
BUS-CAB 1		3.3	4.6
CCE 2A		5.0	
CCE 2B		3.5	3.5
EX 01		7.8	16.5
PPAV 01	2.7	2.7	
Total	38.35	223.58	441.25

[1] Figures include savings and cost avoidance.
[2] Preliminary estimate assumes a minimum equal to FY 1986.

QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE WILLIAM H. GRAY III

Mr. LEHMAN. Secretary Dole, Mr. Gray, the Chairman of the House Budget Committee could not be here today but he wanted me to submit some questions to you for the record.

Secretary DOLE. That is fine, thank you, sir.

Mr. GRAY. The ground transportation block grant proposed in the 1987 budget is very similar to a block grant proposed as part of the Reagan Administration's "New Federalism" initiative in 1982. Congress showed very little interest in the proposal at that time. Why should it be more interested in the proposal now?

[The information follows:]

The overall "New Federalism" initiative ultimately stalled because of opposition to a proposal for the States to assume responsibility for income security and health services. In fact, Congress showed more interest in the block grant that you refer to than in other parts of the bill.

The Highway and Transit Block Grant is more appealing than the New Federalism Block Grant because funds can be used for projects on any public highways as opposed to any project eligible under Title 23. Flexibility to use funds for transit projects is also expanded and mass transit funding is added to the program. These provisions to increase flexibility in the use of funds are likely to be especially attractive now that program levels are constrained in order to reduce the Federal deficit.

Mr. GRAY. In December of 1982, during debate on the Surface Transportation Act of 1982, the Reagan Administration seemingly agreed to the merits of establishing a separate trust fund account for the mass transportation assistance.

The proposed ground transportation block grant, however, would allow states and certain urban areas to make these funds available for highway projects as well as transit projects.

Why has the Administration changed its thinking on use of the mass transit account?

[The information follows:]

Over the past four years we have seen States and localities base project selection on availability of Federal funds rather than on transportation needs. We believe that the flexibility of the Block Grant, coupled with the need to conserve resources, will encourage State and local officials to carefully evaluate their transportation requirements and only proceed with needed and cost-effective projects.

Mr. GRAY. The philosophical underpinning for the ground transprotation block grant as stated in the major policy initiatives section of the budget is that decisionmaking for highway and transit programs is best done at the state and local levels.

This section goes on to explain that as long as the federal government collects trust find monies it has an obligation to see that they are allocated equitably back to the state and local level.

Given the Administration's view, why did not you propose that these programs and their related taxes be given to the states and localities in their entirety—along the lines of the "New Federalism proposal", rather than keeping them as federal programs?

[The information follows:]

We did consider turning back the tax to the States but found several major problems. Many States cannot generate as much revenues from raising their taxes 3 cents as they receive from the Federal programs. Also, there is no guarantee that the States would raise taxes to make up for the 3 cents. Finally, a turnback of Federal taxes would have a negative effect on the remaining level of Federal funding for Federal interest programs.

Mr. GRAY. The Grace Commission and your department have proposed fees to recover certain costs of providing service that the Coast Guard has provided free of charge up to now.

The total amounts to be recovered appear to be about the same, but some of the details appear different.

What are the most important differences between the two proposals?

[The information follows:]

The Grace Commission Report restricted recovery of search and rescue costs to non-life-threatening cases while the proposed user fee legislation would include recovery of a portion of Coast Guard costs associated with its emergency assistance mission regardless of the severity of the cases. Similar to the way in which the services performed by a community fire department are financed, those who operate on waters subject to the jurisdiction of the United States would pay for the availability rather than the actual delivery of search and rescue services.

The proposed user fee legislation, H.R. 1936, is enabling legislation which would expand the authority to recover costs incurred by the Coast Guard. It would shift the burden of financing certain services from the general taxpayer to recreational and commercial users whose services are currently subsidized by the federal government in the absence of user fees.

Mr. GRAY. The Coast Guard and its predecessors have provided services free of charge since its founding in the late 18th Century.

All attempts at imposing user fees have been defeated.

What makes you think that you will succeed now?

[The information follows:]

I am optimistic that Congress will act favorably on our proposal because of the fiscal constraints imposed by the Gramm-Rudman-Hollings legislation, which makes it imperative to adopt measures that will decrease the Federal deficit. Not only does our proposal accomplish this; it does so in an eminently fair manner, charging those who benefit from Coast Guard services for the costs of providing them.

Mr. GRAY. What do you propose doing with the monies collected; establish a trust fund, or what?

[The information follows:]

Under our proposal, the monies collected will be deposited in the general fund of the Treasury and be credited, as proprietary receipts, to the Department of Transportation.

Mr. GRAY. Three multilateral treaties dealing with the security of international civil aviation have been adopted under International Civil Aviation Organization (ICAO) auspices and are now in force—the 1963 Tokyo convention against crimes on board aircraft, the 1970 Hague convention against hijacking during flight, and the 1971 convention on acts of sabotage against aircraft before and after flight.

How many countries are parties to these treaties and are thus obliged to adhere to the provisions of these treaties?

[The information follows:]

The Tokyo Convention has been signed by 121 countries; the Hague Convention, by 126, and the Montreal (1971) Convention, by 127 countries. Following are lists of the signatories of those conventions.

Convention for the suppression of unlawful acts against the safety of civil aviation. (Sabotage) Done at Montreal September 23, 1971; entered into force January 26, 1973. 24 UST 564; TIAS 7570.
States which are parties:
Afghanistan[1]
Argentina
Australia
Austria
Bahamas, The
Bahrain[1]
Bangladesh
Barbados
Belgium
Bolivia
Bouwana
Brazil[1]
Bulgaria[1]
Byelorussian Soviet Socialist Rep.[1]
Cameroon[2]
Canada
Cape Verde
Chad
Chile
China[1 2 3]
Colombia
Costa Rica
Cyprus
Czechoslovakia[1]
Denmark[4 5]
Dominican Rep.
Ecuador
Egypt[1]
El Salvador
Ethiopia[1]
Fiji
Finland
France[1]
Gabon
Gambia, The
German Dem. Rep.[1]
Germany, Fed. Rep.[2 6]
Ghana
Greece
Grenada
Guatemala[1]
Guinea
Guinea-Bissau
Guyana
Haiti
Hungary[1]
Iceland
India[1]
Indonesia[1]
Iran
Iraq
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kenya
Korea, Dem. People's Rep.[1]
Korea, Rep.
Kuwait
Lebanon
Lesotho
Liberia
Libya
Luxembourg
Malawi[1]
Mali
Mauritania
Mauritius
Mexico
Monaco
Mongolia[1]
Morocco[1]
Nauru
Nepal
Netherlands[7]
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman[1]
Pakistan
Panama
Papua New Guinea[1]
Paraguay
Peru[1]
Philippines
Poland[1]
Portugal
Qatar[1]
Romania[1]
St. Lucia
Saudi Arabia[1]
Senegal
Seychelles
Sierra Leone
Singapore
Solomon Is.
South Africa[1]
Spain
Sri Lanka
Sudan
Suriname
Sweden
Switzerland
Syrian Arab Rep.[1]
Tanzania
Thailand
Togo
Tonga
Trinidad & Tobago
Tunisia[1]
Turkey
Uganda
Ukrainian Soviet Socialist Rep.[1]
Union of Soviet Socialist Reps.[1]
United Arab Emirates
United Kingdom[8]
United States
Uruguay
Venezuela[1]
Vietnam, Socialist Rep.
Yugoslavia
Zaire

NOTES:
[1] With reservation.
[2] With declaration.
[3] The Taiwan authorities have also adhered to this convention. See note under CHINA (Taiwan), in the bilateral section.
[4] Not extended to Faroe Is.
[5] Applicable to Greenland.
[6] Applicable to Berlin (West).
[7] Extended to the Netherlands Antilles.
[8] Extended to all territories under the territorial sovereignty of the United Kingdom.

Convention for the suppression of unlawful seizure of aircraft. (Hijacking) Done at The Hague December 16, 1970; entered into force October 14, 1971.
22 UST 1641; TIAS 7192.
States which are parties:
Afghanistan
Argentina[1]
Australia
Austria
Bahamas, The
Bahrain[2]
Bangladesh
Barbados
Belgium
Benin
Bolivia
Botswana
Brazil[2]
Bulgaria[2]
Byelorussian Soviet Socialist Rep.[2]
Canada
Cape Verde
Chad
Chile
China[1 2 3]
Colombia
Costa Rica
Cyprus
Czechoslovakia[2]
Denmark[4 5]
Dominican Rep.
Ecuador
Egypt[2]
El Salvador
Ethiopia[2]
Fiji
Finland
France
Gabon
Gambia, The
German Dem. Rep.
Germany, Fed. Rep.[6]
Ghana
Greece
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Hungary[2]
Iceland
India[2]
Indonesia[2]
Iran
Iraq
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kenya
Korea, Dem. People's Rep.[2]
Korea, Rep.
Kuwait
Lebanon
Lesotho
Liberia
Libya
Luxembourg
Malawi[2]
Mali
Mauritania
Mauritius
Mexico
Monaco
Mongolia[2]
Morocco[2]
Nauru
Nepal
Netherlands[7]
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea[2]
Paraguay
Peru[2]
Philippines
Poland[2]
Portugal
Qatar[2]
Romania[2]
St. Lucia
Saudi Arabia[2]
Senegal
Seychelles
Sierra Leone
Singapore
South Africa[2]
Spain
Sri Lanka
Sudan
Suriname
Sweden
Switzerland
Syrian Arab Rep.[2]
Tanzania
Thailand
Togo
Tonga
Trinidad & Tobago
Tunisia[2]
Turkey
Uganda
Ukrainian Soviet Socialist Rep.[2]
Union of Soviet Socialist Reps.[2]
United Arab Emirates
United Kingdom[8]
United States
Uruguay
Venezuela
Vietnam, Socialist Rep.[2]
Yugoslavia
Zaire

NOTES:
[1] With statement.
[2] With reservation.
[3] The Taiwan authorities have also adhered to this convention. See note under CHINA (Taiwan) in the bilateral section.
[4] Not extended to Faroe Is.
[5] Applicable to Greenland.
[6] Applicable to Berlin (West), with understandings.
[7] Extended to the Netherlands Antilles.
[8] Extended to all territories under the territorial sovereignty of the United Kingdom.

Convention on offenses and certain other acts committed on board aircraft. Done at Tokyo September 14, 1963; entered into force December 4, 1969.
20 UST 2941; TIAS 6768; 704 UNTS 219.
States which are parties:

Afghanistan
Argentina
Australia
Austria
Bahamas, The
Bahrain[1]
Bangladesh
Barbados
Belgium
Bolivia
Botswana
Brazil
Burkina
Burundi
Canada
Chad
Chile
China[1 2]
Colombia
Congo
Costa Rica
Cyprus
Czechoslovakia[1]
Denmark
Dominican Rep.
Ecuador
Egypt[1]
El Salvador
Ethiopia[1]
Fiji
Finland
France
Gabon
Gambia, The
Germany, Fed. Rep.
Ghana
Greece
Grenada
Guatemala[1]
Guyana
Haiti
Hungary[1]
Iceland
India[1]
Indonesia[1]
Iran
Iraq
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kenya
Korea, Dem. People's Rep.[1]
Korea, Rep.
Kuwait
Laos
Lebanon
Lesotho
Libya
Luxembourg
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mexico
Monaco
Morocco[3]
Nauru
Nepal
Netherlands[4]
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman[1]
Pakistan
Panama
Papua New Guinea[1]
Paraguay
Peru[1]
Philippines
Poland[1]
Portugal
Qatar
Romania[1]
Rwanda
St. Lucia
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Singapore
Solomon Is.
South Africa[1]
Spain
Sri Lanka
Suriname
Sweden
Switzerland
Syrian Arab Rep.[1]
Tanzania
Thailand
Togo
Trinidad & Tobago
Tunisia[1]
Turkey
Uganda
United Arab Emirates
United Kingdom[5]
United States
Uruguay[1]
Venezuela[1]
Vietnam, Socialist Rep.[1]
Yugoslavia
Zaire
Zambia

NOTES:

[1] With reservation.

[2] The Taiwan authorities have also adhered to this convention. See note under CHINA (Taiwan) in the bilateral section.

[3] With statement.

[4] Extended to the Netherlands Antilles.

[5] Extended to Anguilla.

Mr. GRAY. What is the United States role in ICAO's efforts to increase aviation security?

What steps has the United States taken to promote and expedite the adoption of strengthened security measures internationally?

[The information follows:]

On January 27, 1985, I addressed the International Civil Aviation Organization (ICAO), and urged ICAO to focus its attention with greater urgency towards combatting terrorism against international air transportation. Among the actions I asked ICAO to pursue were the following:

1. To review security measures as they are currently implemented by member nations with a view toward improving security at international airports;

2. To review, and where necessary, strengthen existing international airport security standards;

3. To provide a means for evaluating the level of adherence to ICAO security standards at international airports; and

4. To expand its security training problem.

As as result of these recommendations, the ICAO Council convened on an accelerated schedule and adopted tighter security measures for airports in its 156 member nations. These measures were included in Amendment 6 to the International Standards and Recommended Practices—Security (Safeguarding International Civil Aviation Against Acts of Unlawful Interference—Annex 17 to the Convention on International Civil Aviation known as the Chicago Convention). Eleven new specifications were introduced into the Annex and nineteen specifications were adopted as Standards. Some of the specific measures are:

A recommendation that each nation include a clause on civil aviation security in its bilateral air service agreements with other nations.

Expanding preflight checks to include measures to discover weapons or other dangerous devices.

Special procedures for screening checked baggage that does not belong to any boarded passenger.

Enhanced safeguards at airports and ground facilities used in international aviation.

On December 19, 1985, the ICAO Council adopted Amendment 6 to Annex 17, described above. Except for those parts with which a majority of Contracting States register their disapproval with the Council, the amendment will be effective on March 19, 1986, except for specifications 5.1.4 (concerning deplaning of checked baggage of passengers who do not report for embarkation) which will be effective October 19, 1987. The specifications on deplaning checked baggage not belonging to boarded passengers is being delayed for administrative reasons. Currently, a positive passenger-bag match is required for U.S. carriers at foreign airports where the highest levels of security precautions are in effect. However, these procedures usually involve a physical matchup between passengers and bags at considerable expense and delay. Some carriers, both U.S. and foreign, have developed measures of nonphysical passenger-bag match. It is expected that these administrative means, using computer identification, will be available to all airlines by late 1987.

The amended Annex 17 will be applicable 2 months after the effective date, i.e., May 19, 1986, except for specifications 5.1.4 which will become applicable on December 19, 1987. Many countries have already enhanced their own security standards.

On November 27, 1985, I sent a telegraphic message to Dr. Kotaite, President of ICAO, recalling my earlier proposal urging the ICAO Council members to confront the challenge of creative new measures which ICAO's international civil service might undertake in directly inspecting and certifying the adequacy of security at international airports.

Assistant Secretary of Transportation for Policy and International Affairs, Matthew Scocozza, met with the President of ICAO in mid-January in Montreal. Their discussions centered around the recently approved work program of ICAO's Committee on Unlawful Interference that now includes an item on "Reinforcement of Regional Offices to deal with aviation security issues." Dr. Kotaite accepted Scocozza's suggestion that the U.S. support and provide assistance to ICAO's aviation security evaluations.

At the January 23 meeting of the Unlawful Interference Committee, the U.S. representative suggested that a roster of security experts be made available so that ICAO could form missions to requesting member states. The proposal received some support, but will require further review by the Committee.

Mr. GRAY. The seven Economic Summit nations meeting in Bonn in 1978 agreed that when a country refuses extradition or prosecution of those who have hijacked an aircraft or when a country does not return a hijacked aircraft, the seven Economic Summit nations should take, "immediate action to cease all flights to that country."

In addition, the seven agreed to halt all in-coming flights from that country or from any country by the airlines of the offending country. This agreement, known as the Bonn Declaration on Hijacking, has been used only once but has been cited as a model of what nations with similar interests and priorities can institute to respond to acts against international civil aviation security.

Secretary Dole, just how have the seven Economic Summit nations implemented the statement of policy formulated in the Bonn Declaration?

[The information follows:]

Since the seven Economic Summit nations agreed to the Bonn Declaration on hijacking in 1978, delegations of experts from those countries have met regularly to review international aviation hijackings. These meetings have been held with a view towards ascertaining if contracting States to the Hague Convention for the Suppression of Unlawful Seizure of Aircraft are meeting their obligations to prosecute or extradite hijackers and to return hijacked aircraft. To date, the Bonn Declaration has been invoked only against Afghanistan, and sanctions have been applied against Ariana Afghan Airlines in the form of an indefinite embargo on air service between the Summit Seven Nations and Afghanistan.

Mr. GRAY. Would you please explain to the Committee exactly what the Administration's position is on Section 105(f) of the STAA of 1982?

[The information follows:]

The Department of Transportation (DOT) has taken seriously this directive from the Congress and has given full commitment to the effective implementation of Section 105(f). The Department has allocated considerable staff and financial resources each year to help ensure that the objectives of Section 105(f) are met. As a result of this commitment, we are proud to report that disadvantaged business enterprises (DBEs) have made significant progress in obtaining DOT-assisted contract awards, and also the 10 percent requirement of Section 105(f) has been exceeded.

As you know, the STAA of 1982 was passed in December 1982 and signed into law on January 6, 1983 by President Reagan. While this Act did not become law until well into fiscal year 1983, DBEs in fiscal year 1983 received more that one billion dollars in contract awards from our highway and mass transit grant recipients. This included $804 million in highway prime contract awards and subcontract commitments, and $298 million in transit contracts. For the Federal Highway Administration's (FHWA) 52 program recipients, this represented a nationwide average of 9.8 percent DBE participation in all Federal-aid highway contracts. For the Urban Mass Transportation Administration's (UMTA) 451 program recipients, this represented a nationwide average of 14.3 percent DBE participation in all federally-assisted transit contracts.

During fiscal year 1984, FHWA recipients awarded 13.0 percent or $1.2 billion, and UMTA recipients awarded 14.9 percent or $293 million to DBEs. Similarly, during fiscal year 1985, FHWA recipients awarded 12.7 percent or $1.4 billion, and preliminary figures show that UMTA recipients awarded approximately 16.0 percent or $197 million to DBEs.

Although the STAA of 1982 calls for a 10.0 percent DBE participation level, the average participation level in the past three years for the Federal-aid highway programs has been 11.4 percent and approximately 15.0 percent in the federally-assisted transit program.

Mr. GRAY. In your view, has Section 105(f), resulted in an expansion of business opportunities in the transportation field for disadvantaged individuals?

[The information follows:]

During the three-year period of fiscal years 1980 through 1982 prior to the passage of the Section 105(f) Disadvantaged Business Enterprise (DBE) Program of the Surface Transportation Assistance Act (STAA) of 1982), minority business enterprises were awarded approximately 9,450 Federal-aid highway contracts and subcontracts valued at over $1.03 billion. During fiscal years 1983 through 1985 (following passage of the STAA of 1982), DBEs were awarded over 32,500 highway-related contracts and subcontracts valued at more than $3.4 billion. Similarly, DBEs received more than $787 million in federally-assisted transit contracts. Although the STAA of 1982 calls for a 10 percent DBE participation level, the average participation level in the past three years for the Federal-aid highway program has been 11.4 percent and approximately 15.0 percent in the federally-assisted transit program. Thus, undoubtedly, Section 105(f) has increased legitimate DBE participation in the transportation field for disadvantaged individuals.

Mr. GRAY. Would you suggest a reauthorization bill that included a provision similar to Section 105(f)?

[The information follows:]

The issue is still under review within the Department, and we intend to work closely with the Members of Congress on this provision during development of the reauthorization legislation.

Mr. GRAY. What is the level of participation of disadvantaged businesses in fiscal year 1985 in our highway programs?

Mass transit?

[The information follows:]

During fiscal year 1985, the DBE achievements in the Federal-aid highway program were $1,419,869,000 or 12.70 percent.

Preliminary figures show that the DBE awards in the federally-assisted mass transit program were approximately $197,000,000 or 16.0 percent.

Mr. GRAY. You have spent a considerable amount of time analyzing the sale of Conrail, and I would commend you on your astuteness on the subject.

I would, however, like to ask you about the covenants which were negotiated as part of the sale of Conrail to the Norfolk Southern.

Does your covenant agreement continue and/or address minority business participation, particularly given the fact that Conrail currently expends some 15 percent of its funds with minority funds?

[The information follows:]

Yes. The Memorandum of Intent between the United States of America and Norfolk Southern Corporation provides that Norfolk Southern "will cause Conrail to continue its affirmative action program, including specifically but without limitation, its minority vendor program, substantially as such program is now being conducted by Conrail, subject to any provisions of applicable law."

Mr. GRAY. In the area of facility closings, and/or consolidations, what assurances have been put in place or made which mitigate against disrupting employment, particularly of current Conrail employees in major urban areas?

What about Conrail headquarters?

[The information follows:]

Norfolk Southern is committed in the Memorandum of Intent to keep Conrail's headquarters in Philadelphia, to keep the locomotive shop and the repair facilities at Altoona open, and generally to cause Conrail and each of its subsidiaries to remain in the railroad business substantially as their business is now being conducted.

Norfolk Southern projects that a net loss of about 1200 jobs will result from the merger. For adversely affected Conrail employees, Norfolk Southern is committed to provide *New York Dock* protection—up to six years of full pay for employees who lose jobs or income as a result of the sale. In the alternative, an employee who loses

his job as a result of the sale may elect to receive a separation allowance in a lump sum. Thus, the relatively few employees who would be adversely affected would have far greater protection than workers in almost any other industry.

Norfolk Southern has also offered a supplemental benefit during the first three years after closing of the sale of one year's pay to any Conrail employee who loses his job as a result of efficiencies introduced after the sale.

The divestitures required by the Justice Department will also help to minimize employment disruptions because many facilities that might otherwise be redundant, and therefore candidates for abandonment, will be transferred to Guilford and P&LE to maintain competition.

Finally, we believe that the new business opportunities created by the merger, such as the ability to compete more effectively with trucks on north-south traffic, will help to keep employment high.

Mr. GRAY. Given the sizable public investment in Conrail to date, has any attention been placed on encouraging Norfolk Southern, where possible, to engage in economic and community development activities?

For example, Conrail owns considerable amounts of land which has no direct connection to the rail operations, which might be dedicated locally to let us say, elderly housing/commercial development, etc.?

[The information follows:]

The Memorandum of Intent guarantees that Norfolk Southern will continue to operate Conrail essentially as it is being operated today. This is interpreted by the Department to include the continuation of any and all of Conrail's current programs that foster economic and community development.

The Norfolk Southern has a long-standing tradition of community involvement and has always placed important focus on economic development. We expect this tradition will carry over to Conrail.

In the past, Conrail has been very active in promoting the use of its land for industrial development. This produces jobs within the communities and additional traffic for Conrail. Norfolk Southern has applied this concept to its rail lines. It is in Norfolk Southern's best interest to actively promote the continued economic development of such land that adjoins its rail lines and the land that adjoins Conrail's lines after the sale.

It should be noted that most, if not all, nonrail-related real estate remained with the Penn Central Company. Since the formation of Conrail, some real estate has become available for disposal as Conrail rationalized its system and removed plant and facilities from rail services.

Also, most of the real estate that has been removed from rail service has been narrow track right-of-way or real estate near the railroad, both of which would be unlikely prime sites for community projects, e.g., homes for the elderly.

Mr. GRAY. Is Norfolk-Southern's bid price locked-in, or is there any room for negotiations, taking into consideration changes in Conrail's financial health, economic changes, etc.?

[The information follows:]

The purchase offer submitted by Norfolk Southern is the result of its assessment of Conrail's current value and future expectations. Conrail's future prospects, standing alone, are not good. Current financial results being reported by Conrail are the result of management efficiencies in the form of plant closings and employee reductions and rate adjustments, not increased traffic. Since 1977, Conrail's tonnage shipped has declined from 268 million tons to 182 million tons in 1985. While Conrail expects this trend to stabilize over the next five years, Norfolk Southern believes it will continue to decline. In a recent Norfolk Southern report dated December 1985, entitled "Conrail's New Crossroads", NS reconfirms its expectations, concluding: "Conrail standing-alone . . . faces a dim long-term future and its viability is questionable." This continued negative assessment does not suggest any room for further negotiations or reconsiderations of its purchase price.

Combining the public interest covenants and substantial concessions that Norfolk Southern has negotiated with the Department of Justice, states, shippers and other interested parties in order to enhance the quality and competitiveness of service in its region, suggests that Norfolk Southern is already paying well in excess of the

$1.575 billion it is laying out to the United States Government and the employees of Conrail. Moreover, further price negotiations would bring the business ethics of the United States Government into question. We conducted an open bidding process and Norfolk Southern's bid was the best. Events since the end of that bidding process have confirmed our judgement.

Mr. GRAY. Why should we not have a phased sale of Conrail, so as to ensure a smoother transition from the public to private sectors?

In your opinion, are the covenants enough to ensure that the public's best interest is taken into consideration—post-sale closing?

[The information follows:]

The most dramatic part of the transition from public to private ownership has already occurred. Since enactment of the Northeast Rail Service Act in 1981, Conrail has made a transition from a very heavily subsidized corporation to a marginally self-sufficient company. Many rail lines have been abandoned and many employees have been laid off. The transition related to a Norfolk Southern acquisition will be extremely minor compared to that which Conrail has already experienced. However, to ensure that the transition under Norfolk Southern is smooth, we negotiated public interest covenants that provide a five-year transition period.

The Department sought and obtained from Norfolk Southern an extremely strong set of public interest covenants. These covenants will preserve quality rail service, protect Conrail's shippers, and ensure continued financial strength for Conrail.

Norfolk Southern has agreed to invest hundreds of millions of dollars annually in Conrail's physical plant and to maintain that plant at Norfolk Southern's own standards, the highest in the industry. The covenants require Conrail to refrain from paying dividends unless two independent tests are passed: first, cumulative dividends may not exceed 40 percent of cumulative net income, and second, $500 million in cash would remain afterward. This assures that adequate funds will be available to operate Conrail even under difficult economic circumstances.

Norfolk Southern has also agreed to a variety of other very important conditions: to continue Conrail's practice of selling any abandoned lines for 75 percent of net liquidation value; to continue Conrail's current minority business enterprise and affirmative action programs; to retain of Conrail's headquarters in Philadelphia and the shops in Altoona, Pennsylvania; to reopen gateways for regional railroads; to refrain from selling off pieces of the Conrail system or to merge all or parts of the Conrail system into another entity; to retain at least 51 percent of each class of voting stock; and to avoid reversion of pension plan assets. The Norfolk Southern covenants further provide that transactions among Norfolk Southern and its affiliates and Conrail must be fair, and indemnify Conrail against abuses.

On a quarterly basis, and before paying dividends, Norfolk Southern officers must certify to the Department that Norfolk Southern and Conrail are complying with the covenants. False certification is subject to criminal penalties. All of these covenants not only last for five years but are enforceable by Federal court injunction.

Mr. GRAY. What equal employment opportunity provisions are included in the negotiated covenants?

[The information follows:]

While the Memorandum of Understanding between the Norfolk Southern and Conrail does not specifically contain equal employment opportunity provisions, both Norfolk Southern and Conrail have equal employment opportunity programs in effect. The Department believes that Norfolk Southern is committed to continue efforts in this area, and that once the purchase is consummated, Norfolk Southern will continue Conrail's, as well as its own efforts, in providing equal employment opportunity for all citizens.

Mr. LEHMAN. Well, I quess that's all we have for you today. Thank you very much for your testimony.

Mr. COUGHLIN. Thank you. It's always a pleasure, Secretary Dole.

Secretary DOLE. Thank you.

Mr. LEHMAN. The subcommittee is adjourned.

Questions Submitted for the Record by the Honorable Martin Olav Sabo

Question. If WMATA and UMTA can negotiate a full funding agreement relative to fiscal years 1985 and 1986 with the understanding that only operable segments will be constructed, can we expect that all remaining funds for those years will be released?

Answer. It is UMTA's intention to release the fiscal year 1985 and 1986 funds when a full funding agreement, including an acceptable scope of work regarding those funds, has been negotiated.

Question. If not, what level of funds would be released given that all conditions of the agreement are met and what preconditions would be imposed before the balance would be released?

Answer. It is UMTA's intention to release all of the fiscal year 1985 and 1986 funds when a full funding agreement has been negotiated.

Question Submitted for the Record by the Honorable Silvio O. Conte

Question. Secretary Dole, would you make available to the Committee a three-part table, by appropriation, for each of the Transportation appropriations accounts? That table should show the request to OST, request from OST to OMB, and the OMB allowance for each program.

Answer. The information follows:

DEPARTMENT OF TRANSPORTATION

FY1987 Budget Totals - Summary

BUDGET AUTHORITY
($ in thousands)

ADMINISTRATION	FY1987 INITIAL ESTIMATE (JULY-1985)	FY1987 SUBMISSION TO OMB (SEP-1985)	FY1987 PRESIDENT'S BUDGET (FEB-1986)
FEDERAL HIGHWAY ADM			
FEDERAL AID HIGHWAYS	16,045,000	14,900,000	12,770,000
(Obl Limitation)	13,075,000	13,225,000	12,420,000
LIMITATION-GOE	217,768	210,231	206,191
MOTOR CARR SFTY GRANTS	50,000	50,000	(50,000)
MOTOR CARRIER SAFETY	19,288	14,696	19,515
HGHWY REL SFTY GRANTS	15,000	15,000	10,000
(Obl Limitation)	NONE	15,000	10,000
HGHWY SAFETY R&D	10,000	8,500	7,000
HIGHWAY BEAUTIFICATION	25,000	0	0
MISCELLANEOUS TR FUNDS	4,981	4,981	4,981
Subtotal FHWA	16,169,189	14,993,177	12,811,496
NAT HWY TFC SFTY ADM			
OPERATIONS & RESEARCH	98,110	94,259	83,938
HGHWY TRAF SFTY GRANTS	120,000	120,000	110,000
(Obl Limitation)	137,900	137,900	127,900
Subtotal NHTSA	218,110	214,259	193,938
FEDERAL RAILROAD ADM			
OFFC OF ADMINISTRATOR	33,131	16,031	10,958
(By transfer)	---	---	(4,565)
RAILROAD SAFETY/R&D	44,050	38,581	35,819
GRANTS TO NRPC(AMTRAK)	616,000	400,000	0
FFB LOAN PURCHASES	---	---	3,714
Subtotal FRA	693,181	454,612	50,491
URBAN MASS TRANS ADM			
FORM GRANTS(TF)-C.A.	1,100,000	1,573,200	1,220,000
(Obl Limitation)	1,100,000	1,300,200	1,220,000
FORM GRANTS(GF)-APPROP	1,497,000	143,262	0
ADMINISTRA EXP	30,095	26,800	(26,800)
MES TRA HUMAN RES	31,405	0	(19,500)
WASHINGTON METRO	187,500	212,500	0
Subtotal UMTA	2,846,000	1,955,762	1,220,000

ADMINISTRATION & APPROP	FY1987 INITIAL ESTIMATE (JULY-1985)	FY1987 SUBMISSION TO OMB (SEP-1985)	FY1987 PRESIDENT'S BUDGET (FEB-1986)
FEDERAL AVIATION ADM			
OPERATIONS/HQ ADM	3,059,548	2,932,790	2,799,780
FACILITIES & EQUIP	1,485,000	1,164,000	825,000
RES ENG & DEV	203,000	168,000	134,500
GRANTS-IN-AID AIRPORTS	1,017,200	1,017,200	1,017,200
(Obl Limitation)	1,017,200	900,000	712,500
OPER & MAINT, MWA	37,922	37,248	34,600
CONSTRUCTION, MWA	67,730	10,300	7,000
LOAN GUAR DEF LIMIT	---	(125,000)	(125,000)
Subtotal FAA	5,790,400	5,329,530	4,818,080
U S COAST GUARD			
OPERATING EXPENSES	1,937,495	1,849,254	1,832,800
AQUIS, CONSTR & IMP	520,100	300,000	77,100
(Navy Reprog/Deferral)	---	---	(190,200)
ALT OF BRIDGES	10,000	5,500	0
RETIRED PAY	377,500	377,500	354,000
RESERVE TRAINING	72,850	66,232	65,200
RES DEV TEST & EVAL	35,000	24,000	20,500
BOAT SAFETY ACCOUNT	45,000	29,000	45,000
(Trans to Op Exp Incl)	(15,000)	(15,000)	(30,000)
POLLUTION FUNDS	9,000	9,000	9,000
MISC TRUST FUNDS	80	80	80
Subtotal USCG	3,007,025	2,660,566	2,403,680
MARITIME ADM			
OPER DIFF SUBSIDIES	383,764	338,764	320,000
RESEARCH & DEV	11,000	8,700	5,500
OPERATIONS & TRAINING	85,387	79,050	53,343
(Plus 1986 deferral)	---	---	(9,350)
FED SHIP FIN DEFAULTS	---	5,500	99,915
MISC TRUST FUNDS	400	400	400
Subtotal MARAD	480,551	432,414	479,158
ST. LAWRENCE SEAWAY			
(Admin Exp Lim)	(1,990)	(1,990)	(1,990)
INSPECTOR GENERAL (S&E)	28,430	28,165	27,630
RES & SPEC PROG AD (RSP)	25,527	23,827	28,024
OFC OF THE SECRETARY			
SALARIES & EXP/TPR&D	60,980	60,980	56,540
PAYMENTS TO AIR CARR.	38,000	38,000	0
WORKING CAP FND LIMIT	(70,000)	(70,000)	(69,640)
ICC RESIDUAL FUNCTIONS	0	0	7,800
Subtotal OST	98,980	98,980	64,340
DOT TOTALS: BA	29,357,393	26,191,292	22,088,829
OBL LIMIT	15,330,100	15,570,100	14,490,400

TUESDAY, MARCH 4, 1986.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

JOSEPH J. GENOVESE, ACTING DEPUTY INSPECTOR GENERAL

GLENN W. WIENHOFF, ASSISTANT INSPECTOR GENERAL FOR POLICY, PLANNING, AND RESOURCES

H. RAE SCOTT, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

KENNETH T. FURUKAWA, ACTING ASSISTANT INSPECTOR GENERAL FOR AUDITING

Mr. LEHMAN. The Subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1987 budget request for the Office of the Inspector General. Our principal witness today is Mr. Joseph J. Genovese, the Acting Deputy Inspector General.

Mr. Genovese, before we hear your statement, I would like to know if you could tell this Committee what the status is on appointing a new Inspector General for the Department of Transportation.

We will be pleased to hear your statement at this time. You may read it, or if you would prefer to summarize it, we shall insert your entire statement in the record.

OPENING STATEMENT

Mr. GENOVESE. Mr. Chairman, Members of the Subcommittee, I am pleased to appear before you today to discuss the Office of Inspector General's fiscal year 1987 budget request.

With me are Mr. Glenn Wienhoff, Assistant Inspector General for Policy, Planning and Resources; Mr. H. Rae Scott, Assistant Inspector General for Investigations; and Mr. Kenneth Furukawa, Acting Assistant Inspector General for Audits.

Mr. LEHMAN. Mr. Genovese, I asked you to give me an idea of when the new Inspector General would be officially appointed. What is the status of that?

Mr. GENOVESE. Excuse me, Mr. Chairman. The Deputy Secretary has indicated to me that he is evaluating candidates, and he considers it a top priority.

Mr. LEHMAN. Is there any time frame that you could give us?

Mr. GENOVESE. I have no idea of the time frame.

Mr. LEHMAN. Thank you.

Mr. GENOVESE. Our budget request is for $27.6 million and 459 positions. The decrease of 12 positions is associated with the elimination of the Essential Air Service (EAS) Program Audit function.

The President's Budget includes a proposal to eliminate the EAS Program at the beginning of fiscal year 1987. Therefore, our activi-

ties in this area will be to assist with final audits and payments with total reduction of our responsibilities by the end of the year.

In order to accommodate the Gramm-Rudman-Hollings reduction, we have had to curtail certain support activities such as permanent change of station moves, training, equipment and furniture buys, space alterations, and leases.

In addition, we have coordinated with the Defense Contract Audit Agency (DCAA) to reduce the level of contract audit support previously planned for fiscal year 1986. We are requesting the funds necessary to restore these needed support activities and contract audit efforts in fiscal year 1987, as well as the funds necessary to cover the increased cost of presently occupied leased office space and within grade increases and promotions.

During fiscal year 1985, the audit recoveries, fines, penalties, and other investigative cost avoidance totaled $911 million, more than 34 times the amount spent on the operation of the Office of Inspector General. During this period, 1,755 audit reports were issued.

Investigation of antitrust violations in DOT-funded construction projects are active in 34 states and Puerto Rico, with grand juries sitting in seventeen states. A total of 202 investigative cases were closed in fiscal year 1985. Our investigative efforts resulted in 99 indictments and 72 convictions.

Audit activities will continue to focus on internal review of DOT programs with a view toward evaluating the effectiveness of programs and federal fund usage.

During the past fiscal year, we reported on a significant number of cost-saving issues. We pointed out that vigorous implementation of value engineering in roadbuilding can potentially save millions of dollars annually.

Our audits also disclosed that less costly approaches can be taken in areas associated with the National Airspace System modernization.

We found that facilities and resources devoted to Coast Guard search and rescue operations could be reduced without loss in responsiveness to emergency cases.

During the coming year an inspection program will be instituted. This program is designed to quickly review a facility to inform management of any problems. Pilot tests are already underway in Kansas City and Atlanta.

Investigative activities will continue to focus on antitrust violations in DOT-funded construction projects. There are indications that bid rigging may be recurring in some states where investigations have been closed. New investigations are being initiated in those states where recurrence has been detected.

Through January 1986, OIG bid rigging efforts have resulted in 640 indictments, 518 convictions, $61 million in fines and court-ordered recoveries, and 59 years in prison sentences.

In addition to antitrust investigations, we have mounted a major offensive against fraudulent disadvantaged business enterprises.

Ten percent of DOT construction monies authorized by the Surface Transportation Act of 1982 are required to be directed to DBEs. Abuses of the program have been identified involving sham minority enterprises, who are merely fronting for non-minority contractors, legitimate DBEs who are cajoled into acting as brokers

for pass-through subcontracts to non-DBEs, and unauthorized use of the name of a legitimate DBE without their knowledge or consent.

Investigations are targeted toward prosecuting non-DBE prime contractors who are abusing the program. Since October 1, 1984, we and the Department of Justice have obtained 34 indictments in fraudulent DBE cases.

Of those indictments, 28 were obtained in fiscal year 1985. Action has been taken to deny future business in many of these cases.

We are continuing to receive outstanding results from our engineering support. In addition to a general engineer permanently assigned to our staff, there are engineering support services contracts in place which afford a wide range of engineering expertise.

The use of engineering expertise in a recent procurement change orders audit enabled the OIG to determine which change orders resulted from poor preparation of the contract scope of work and which from changed conditions discovered during the project.

In summary, I believe we have had a very successful year and we are looking forward to serving the Department in the future. In the current atmosphere of tight budgetary resources, we will be doing our utmost to assist the Department to insure that it receives the maximum return for each federal dollar spent. I am confident that the OIG can be responsive to the needs of DOT and to its responsibilities under the Inspector General Act. This concludes my statement. I will be glad to answer any questions you may have.

[The prepared statement of Mr. Genovese follows:]

STATEMENT OF JOSEPH J. GENOVESE
ACTING DEPUTY INSPECTOR GENERAL
DEPARTMENT OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION

March 4, 1986

GENERAL STATEMENT

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to discuss the Office of Inspector General's (OIG) Fiscal Year 1987 budget request. With me are Mr. Glenn Wienhoff, Assistant Inspector General for Policy, Planning, and Resources; Mr. H. Rae Scott, Assistant Inspector General for Investigations; and Mr. Kenneth Furukawa, Acting Assistant Inspector General for Audits.

Our budget request is for $27.6 million and 459 positions. The decrease of 12 positions is associated with the elimination of the Essential Air Service Program Audit function. The President's Budget includes a proposal to eliminate the EAS Program at the beginning of FY 1987. Therefore, our activities in this area will be to assist with final audits and payments with total reduction of our responsibilities by the end of the year.

In order to accommodate the Gramm-Rudman-Hollings reduction, we have had to curtail certain support activities, such as permanent change of station moves, training, equipment and furniture buys, space alterations and leases. In addition, we have coordinated with the Defense Contract Audit Agency (DCAA) to reduce the level of contract audit support previously planned for FY 1986. We are requesting the funds necessary to restore these needed support activities and contract audit effort in

FY 1987, as well as the funds necessary to cover the increased cost of presently occupied leased office space and within grade increases and promotions.

Accomplishments

During FY 1985, audit recoveries, fines, penalties, and other investigative cost avoidance totaled $911 million--more than 34 times the amount spent on the operation of the OIG. During this period 1,755 audit reports were issued.

Investigation of antitrust violations in DOT-funded construction projects are active in 34 states and Puerto Rico, with grand juries sitting in 17 states. A total of 202 investigative cases were closed in FY 1985. Our investigative efforts resulted in 99 indictments and 72 convictions.

Audit Activities

Audit activities will continue to focus on internal review of DOT programs with a view toward evaluating the effectiveness of programs and Federal fund usage.

During the past Fiscal Year, we reported on a significant number of cost-saving issues. We pointed out that vigorous implementation of value engineering in road building can potentially save millions of dollars annually. Better approaches to highway beautification, park and ride lots, and interstate highway rest areas can produce significant savings. Our audits disclosed that less costly approaches can be taken in areas

associated with the National Airspace System modernization. We also reported that measures could be taken which would effectively extend the service life of airport pavements by as much as 5 years. A program requiring reconfirmation of continuing eligibility of former FAA employees to continue receiving disability compensation would yield substantial savings.

We found that facilities and resources devoted to Coast Guard Search and Rescue operations could be reduced without loss in responsiveness to emergency cases. Also, family housing in the Coast Guard could in certain locations be met less expensively from community sources. The National Highway Traffic Safety Administration was funding seed money on selective traffic enforcement projects which were not developing any long-term safety benefits. We also found that a transit authority did not follow industry testing standards for poured concrete and had inadequate assurance of structural integrity of the project.

During the coming year an inspection program will be instituted. This program is designed to quickly review a facility to inform management of any problems. Pilot tests are underway in Kansas City and Atlanta. These inspections will focus on administrative areas such as attendance, leave, travel vouchers, and use of Government vehicles; and program areas such as staff utilization, accomplishment of workload, and productivity of resources.

Investigative Activities

Investigative activities will continue to focus on antitrust violations in DOT-funded construction projects. There are indications that bid rigging may be recurring in some states where investigations have been closed. New investigations are being initiated in those states where recurrence has been detected.

Through January 1986, OIG bid rigging efforts have resulted in 640 indictments, 518 convictions, $61 million in fines and court ordered recoveries, and 59 years in prison sentences.

We have developed a course on "How to Conduct Highway Construction Bid Rigging Investigations," which was given three times in 1985. This course which has been very well received, has been attended by investigators from the Environmental Protection Agency, General Services Administration, Air Force Office of Special Investigations, Defense Criminal Investigative Service, many state officials, and mass transit officials.

Approximately half of the states now have computerized systems to assist in estimating prices and discovering possible antitrust violations. FHWA is also developing a Highway Collusion Detection System.

In addition to antitrust investigations, we have mounted a major offensive against fraudulent disadvantaged business enterprises (DBEs). Ten percent of DOT construction monies authorized by the Surface Transportation Act of 1982 are required to be directed to DBEs. Abuses of

the program have been identified involving sham minority enterprises who are merely fronting for non-minority contractors (false fronts), legitimate DBEs who are cajoled into acting as brokers for pass through subcontracts to non-DBEs, and unauthorized use of the name of a legitimate DBE without their knowledge or consent. We have given wide publicity to the problem through press releases, letters to State Attorneys General, and wide circulation of the DOT/OIG hotline encouraging anyone with knowledge of fraud in the DBE program to call.

Investigations are targeted toward prosecuting non-DBE prime contractors who are abusing the program. Since October 1, 1984, we and the Department of Justice have obtained 34 indictments in fraudulent DBE cases. Of those indictments, 28 were obtained in FY 1985. Action has been taken to deny future business (decertification) in many of these cases. Since October 1, 1984, we and the Department of Justice have also obtained 29 indictments in criminal violations involving false claims, contract/cost mischarging, embezzlement, false statements, theft of Government property, etc.

Use of Technical Experts

We are continuing to receive outstanding results from our engineering support. In addition to a general engineer permanently assigned to our staff, there are engineering support services contracts in place which afford a wide range of engineering expertise. The use of engineering expertise in a recent procurement change orders audit enabled the OIG to determine which change orders resulted from poor preparation of the

contract scope of work, and which from changed conditions discovered during the project. It also enabled us to make specific recommendations for improving contract documents and procedures for bidding and bid evaluation to prevent unnecessary change orders and windfall profits.

The general engineer also develops specifications and scope of work for procurement of technical support services. In a recent OIG investigation, support services were utilized to test tank trucks to determine if tank welds met the applicable codes. The tanks failed to pass the weld inspections and action was taken to prosecute the manufacturer and remove up to 200 tank trucks from service across the country.

Summary

I believe we have had a very successful year and we are looking forward to serving the Department in the future. In the current atmosphere of tight budgetary resources, we will be doing our utmost to assist the Department to insure that it receives the maximum return for each Federal dollar spent. I am confident that the OIG can be responsive to the needs of DOT and to its responsibilities under the Inspector General Act.

This concludes my statement. I will be glad to answer any questions you may have.

FY 1986 GRAMM-RUDMAN-HOLLINGS BUDGET REDUCTION

Mr. LEHMAN. Thank you very much, Mr. Genovese.

The Balanced Budget and Emergency Deficit Control Act of 1985 requires a $1.2 million decrease in your fiscal year 1986 budget. What effect will this reduction have on your audit and investigative programs? How will you achieve this $1.2 million cut?

Mr. GENOVESE. The budget was reduced by $1.187 million. The way we have had to cope with that, Mr. Chairman, is to significantly curtail support activities. We have had to curtail training, equipment purchases, permanent change of station moves, and we have also had to work with the Defense Contract Audit Agency to reduce the level of contract audits that we had originally planned for the year.

Mr. LEHMAN. Will it require you to reduce tbe actual number of audits or to reduce the number of personnel?

Mr. GENOVESE. Not in fiscal year 1986, Mr. Chairman. We think that by reducing the support activities such as training and equipment, that we can keep the level of audit and investigative effort we had planned.

RECURRENCE OF BID RIGGING

Mr. LEHMAN. During last year's hearing, Mr. Welsch testified that there are indications that bid rigging is a continuing and recurring problem.

He also stated that "we do not think that it is as pervasive now as it was in the past, but we still feel that it has a significant impact on the Federal Highway program".

What is your assessment of the pervasiveness and cost implications of the highway bid rigging problem?

Mr. GENOVESE. Unfortunately, bid rigging continues to be quite a problem. We have had indictments and convictions in 24 states and we are currently active in 34 states. We have even had some indications that it is recurring in two or three states where we had previously closed our cases.

In fiscal year 1986 we had a 138 percent increase in the number of indictments in the first four months. In 1985, we had 47 indictments, in the first 4 months of 1986, we have already had 33 indictments.

Mr. LEHMAN. What about the cost implications in regard to this? How much more is bid rigging costing the people of this country?

Mr. GENOVESE. Well, I think when this first started, we had some estimates of around 10 percent, and some higher. I would assume that that percentage still holds. We have not made any cost analyses.

Mr. LEHMAN. Are some states still worse than others?

Mr. GENOVESE. I think so. There are some States that seem to be worse than others. We are particularly concerned with the recurrence in some of the States where we had indictments. We had closed the cases, and now, we have indications that it may be starting up.

Mr. LEHMAN. I think that one of your first bid rigging cases was in the Commonwealth of Virginia. Is that one of the places where it is recurring?

Mr. GENOVESE. No, it is not, Mr. Chairman.

Mr. LEHMAN. How is Florida doing?

Mr. GENOVESE. We have no recurrence in Florida, that we are aware of.

Mr. LEHMAN. In Pennsylvania?

Mr. GENOVESE. Nothing in Pennsylvania that is recurring, although we have grand juries and a lot of activity in Pennsylvania right now.

Mr. LEHMAN. To what extent are efforts in this area having an impact and how do you determine the impact you are having?

For example, last year Mr. Welsch told us that bid rigging was recurring in states where you had previously had investigations.

Do you see a recurrence of bid rigging or an increase in bid rigging once you reduce your efforts in a particular state?

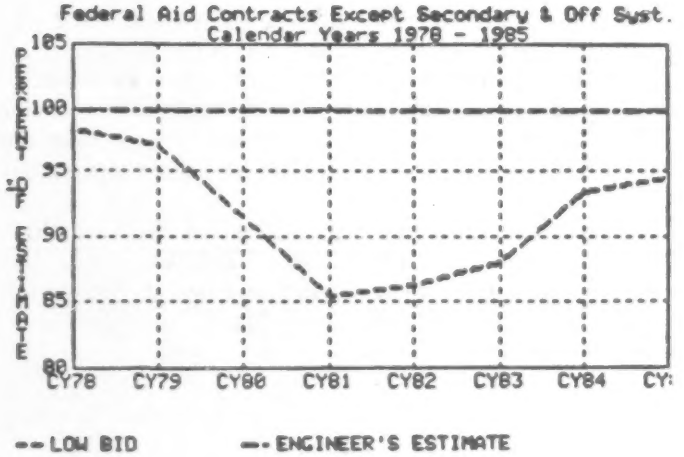
Mr. GENOVESE. We do have evidence that after we leave, in some cases it recurs. There is no question that we think we have a deterrent effect. The bid prices do appear to be lower and there are more bidders. But after the case is closed the anticompetitive practices begin to emerge.

Mr. LEHMAN. Provide some data or statistics that would substantiate a correlation between your efforts and the reduction in bid rigging, and of course the inverse situation also, if you can.

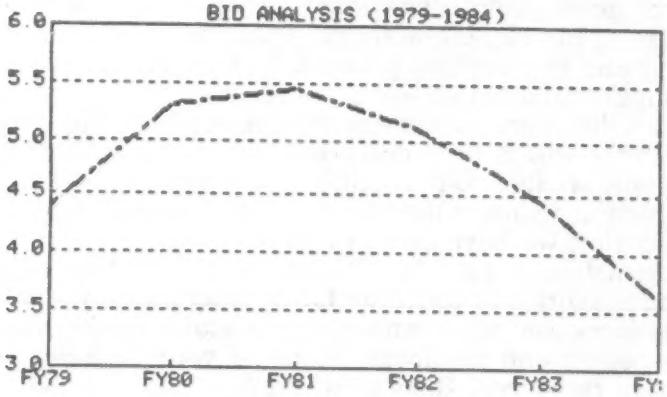
Mr. GENOVESE. We will try to do that, Mr. Chairman.

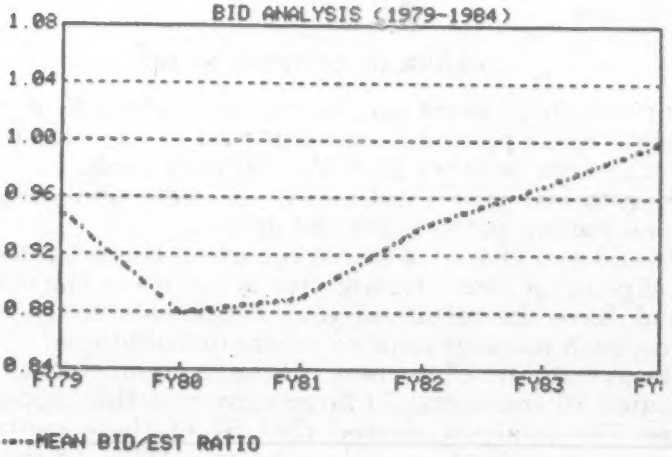
[The information follows:]

The following graph depicts the relationship of average winning bid prices to the engineer's estimates on a national basis for calendar years 1978 through 1985. There was a decline in prices nationwide which coincided with the increased enforcement effort in highway construction bid rigging. There has been a rise in the curve over the last 2 years. We believe the rise may be due in part to a recurrence of bid rigging in states where we have completed investigations.



We recently looked at a state to determine whether bid rigging was recurring in that state which had previously had a major collusion problem. Twenty-six corporations and 39 individuals were convicted of antitrust violations in the 1980-1982 investigation. The following graphs show that during the period of the investigation, the average number of bidders increased and the average bid award price decreased. After the investigation was completed, the number of bidders decreased and the average bid award price increased. Based on our analysis, the Antitrust Division has opened a new investigation in that state.





BID RIGGING EDUCATION AND AWARENESS EFFORTS

Mr. LEHMAN. How effective have your education and awareness efforts been in checking the recurrence of bid rigging in the highway mode?

To what extent are the states becoming sophisticated in monitoring, detecting and preventing bid rigging?

Actually, the states are the ones that lose. They get less "bang for the buck" if they permit this to go on.

Mr. GENOVESE. Yes, Mr. Chairman, they are losers along with the federal government. The state personnel are certainly much more aware of bid rigging activity. There is much more analysis of bid pricing and the bidding process. Twenty-two states have established computerized bid analysis systems.

There is a lot more awareness. We think that this certainly will help. Not only will it be a deterrent, but I think that in the long-run it should reduce bid rigging activity. We do not anticipate much reduction in our effort in the next several years in view of the activity that we have going in 34 states.

Mr. LEHMAN. Last year Mr. Welsch stated that he expected your bid rigging activities to continue for at least 3 to 5 years.

Will the increased involvement of the states enable you to reduce this time period and reallocate some of your highway bid rigging investigative resources? If so, to where?

[The information follows:]

We do not anticipate a reduction in our bid rigging effort in the near future. Increased state involvement should result in earlier detection of collusive activity; however, most states are not able to conduct complex and lengthy antitrust investigations using their resources. In addition, many antitrust investigations involve more than one state.

BID RIGGING IN OTHER MODES

Mr. LEHMAN. Four years ago we increased the size of your investigative staff by 20 positions, enabling you to expand your bid rigging investigations to other than the highway mode.

According to last year's testimony, you were analyzing all DOT-funded construction projects over $3 million.

First, would you give us a status report on the progress you have made in expanding your investigative activities to the other modes, and second, have the results of your nationwide analysis indicated any trends, such as geographic or modal distributions?

Mr. GENOVESE. Mr. Chairman, we have completed that project. We identified 70 contracts, 70 large contracts that appeared to be suspicious. The analysis showed that 57 of these contracts were FHWA, seven were FRA, and six were in UMTA. In that analysis, contractors in 22 of these 70 contracts have been indicted, or are presently under investigation.

We found no evidence of a national conspiracy. Since highway is where all the big money is, this is where the potential is greatest for bid rigging activity to occur.

We have not had a lot of success in some of the other modes. We have taken a look at some activity in Coast Guard and some in FAA, but predominantly, it is really a highway construction problem from what we can determine.

Mr. LEHMAN. According to last year's testimony, you indicated you had initiated bid rigging investigations of Coast Guard dredging contracts and UMTA contracts. What have you found?

Mr. GENOVESE. With respect to the Coast Guard dredging, Mr. Chairman, we did do a preliminary investigation. Most of the leads in that investigation proved to be unsuccessful. There was not much money involved. There was only $1.8 million from 1979 to 1985.

However, there is a related case, that is being conducted by the antitrust people. It is a DOD case regarding the Corps of Engineers. There may be a possible tie-in between that case and the dredging contracts in the Coast Guard. We are working with the antitrust people. If the contractor cooperates, and if the leads in that particular case work out, we will be pursuing the dredging contracts in the Coast Guard. But right now, the preliminary indications are that there is not much there.

With respect to the UMTA contract, we analyzed a large UMTA grantee for potential bid rigging by its contractor. In this case, the analysis did not develop any significant indicators. There is a related case in this situation also. The antitrust people are pursuing bid rigging in electrical contractors. They are planning to work with us to determine whether this particular large UMTA grantee may have had some indication of electrical contractors bid rigging.

Mr. LEHMAN. What other specific bid rigging investigations outside of the highway mode have you initiated?

How many investigations, in addition to those in the highway mode, do you estimate you will initiate each year?

[The information follows:]

Except for one preliminary inquiry currently ongoing into antitrust activities relating to the U.S. Coast Guard, all bid rigging cases are FHWA.

One current asphalt conspiracy case, part of a New Jersey bid rigging case, involved "slurry seal" contractors—this emulsion material is often used on airport runways because it is skid resistant. This may involve future antitrust cases involving FAA.

BID RIGGING STATISTICS

Mr. LEHMAN. For the record, please update the information on page 172 of last year's hearing that shows a breakdown of your total staff resources allocated to bid rigging and add data for 1987.

[The information follows:]

Fiscal year	Proactive	Reactive	Total
1984 [1]	22.8	1.5	24.3
1985 [1]	23.4	2.6	26.0
1986 [2]	23.4	2.6	26.0
1987 [2]	22.5	2.5	25.0

[1] Actual Figures.
[2] Projected Figures.

LIST BY STATE OF INVESTIGATION RESULTS

Mr. LEHMAN. Please update the table on page 172 of last year's hearing that shows the results by state of your antitrust bid rigging investigations.

[The information follows:]

BID RIGGING INVESTIGATIONS RESULTS
Office of Inspector General
For the Period 2/25/79-12/31/85

STATE/TERRITORY	FED. HIGHWAY FUNDS DIST. FY 78-85 $(M-$)	%	INVESTIGATIONS OIG/STATE	OIG/ATR	OIG/ATR/FBI	ATR/FBI	DATE STARTED	INDICTMENTS #	INDICTMENTS DATE	CONVICTIONS (INDIVIDUALS) #	CONVICTIONS (INDIVIDUALS) DATE	CONVICTIONS (CORPORATIONS) #	CONVICTIONS (CORPORATIONS) DATE
*Alabama	1,796	2.20		x			06/28/83						
Alaska	1,084	1.33											
**Arizona	1,251	1.53	x	x									
*Arkansas	861	1.06			x		01/21/81						
							08/25/80	2	01/03/84			2	04/19/84-06/01/84
California	5,638	6.91		x									
*Colorado	1,358	1.66		x			04/12/83						
							08/09/84	21	06/14/83-08/09/84	6	09/15/83-02/13/84	5	09/15/83-02/13/84
Connecticut	1,265	1.55		x			12/82	7	09/18/85-12/12/85				
*Delaware	339	.42		x									
*Florida	3,355	4.11		x			01/20/82	1	04/10/84			1	06/20/84
							04/08/81	26	02/12/82-04/24/84	9	08/18/82-08/15/84	14	03/24/82-06/16/84
*Georgia	2,890	3.17		x			07/25/80	41	07/30/80-02/13/84	24	08/13/80-10/02/84	17	08/13/80-03/14/84
*Hawaii	478	.59		x									
Idaho	537	.66		x			09/07/82						
Illinois	3,774	4.62					09/01/83						
*Indiana	1,529	1.87		x									
Iowa	1,237	1.52				x	05/04/83						
							N/A	16	07/23/82-09/27/85	5	12/03/82-12/07/84	8	12/03/82-09/27/85
*Kansas	1,107	1.36			x		09/22/80	34	04/21/81-02/04/83	15	11/02/81-01/10/83	14	11/02/81-02/14/83
*Kentucky	1,686	2.07			x		12/01/80	9	04/21/82-04/18/84	1	06/22/83	2	06/01/83-06/22/83
Louisiana	1,813	2.22		x			08/20/80						
Maine	410	.50											
*Maryland	2,284	2.80		x			01/12/82	17	06/28/82-09/02/83	6	03/29/83-12/14/83	8	08/06/82-06/01/84
*Massachusetts	1,211	1.48		x			01/83						
Michigan	2,151	2.64		x			09/22/80						
**Minnesota	1,731	2.12	x				08/23/83	33	08/03/84-08/28/84	13	08/10/84-08/20/84	4	08/10/84-08/20/84
Mississippi	965	1.18		x			N/A	3	07/17/80-02/27/81	1	06/22/81	1	06/22/81
Missouri	1,843	2.26		x			07/15/82						
Montana	869	1.06		x			08/01/84						
Nebraska	762	.92			x		12/03/79	32	01/14/82-09/26/84	12	02/19/82-12/03/82	13	02/19/82-04/26/84
Nevada	763	.93											
*New Hampshire	394	.48											
New Jersey	1,752	2.15				x	03/29/82						
					x		01/83	25	06/20/84-09/26/85	7	12/10/84-10/29/85	7	06/22/84-10/29/85
**New Mexico	790	.97	x										
New York	4,550	5.58		x			04/21/83						
North Carolina	1,768	2.17					12/10/82						
					x		N/A	67	06/04/80-02/24/82	39	06/04/80-03/24/82	26	06/04/80-04/08/82
North Dakota	530	.65		x									
Ohio	2,699	3.31		x			12/82	5	10/09/85			2	11/06/85
Oklahoma	930	1.14	x				07/25/80						
						x	08/25/80	13	07/07/82-09/27/84	2	11/15/82-03/08/85	5	11/15/82-03/08/85
Oregon	1,287	1.58		x									
Pennsylvania	3,740	4.58					10/08/82						
					x		11/25/81	40	10/08/82-12/10/85	11	10/12/82-10/18/84	21	11/25/83-10/18/84
Rhode Island	512	.63		x									
*South Carolina	958	1.17					01/83						
					x		N/A	16	11/25/80-08/25/82	5	05/21/81-04/27/82	9	11/25/80-08/28/82
*South Dakota	509	.62		x									
							11/01/82	10	08/26/83-04/09/85	3	02/19/85-09/23/85	7	08/26/83-09/23/85
*Tennessee	1,943	2.38			x		N/A	82	12/14/79-06/22/81	45	03/07/80-09/11/81	32	03/12/80-04/08/82
					x								
Texas	4,483	5.49					07/25/80	65	11/20/81-10/24/85	19	10/14/82-10/07/85	34	01/25/82-11/12/85
Utah	980	1.20		x									
*Vermont	350	.43					06/15/84						
						x	N/A	4	06/29/83-07/06/83	2	04/13/84	2	11/10/83-04/13/84
*Virginia	2,210	2.71			x		N/A	63	02/29/80-05/06/83	29	04/25/80-04/21/83	24	05/05/80-06/03/83
Washington	2,395	2.93		x									
West Virginia	1,713	2.10		x			11/01/82						
**Wisconsin	1,230	1.51	x	x			10/01/82						
Wyoming	830	.65		x			03/09/83						
American Samoa	7	.01					08/01/84						
District of Columbia	311	.38											
Guam	25	.03											
North Mariana Island	6	.01											
Puerto Rico	303	.37											
Virgin Islands	22	.03		x			07/30/84						
TOTAL	881,606	100%	5	30	11	4		632		254		258	

N/A - Not Available
*Investigation closed
**Converted to OIG/State Investigation

	No. of States/Territories	Federal Highway Funds Distributed $	%	Investigations States	Investigations Funds $	%
Over $1 Billion	31	68.473	83.91	***29	63,615	84.60
$500 Million - $1 Billion	14	10.486	12.85	***13	9,723	12.93
Under $500 Million	11	2.646	3.24	*** 5	1,865	2.47
TOTAL	56	881,606	100%	47	$76,203	100%

***Includes states both active and closed

BID RIGGING BY MODE

Mr. LEHMAN. Also please provide similar information showing the results by State of any bid rigging investigations involving the other modes.

[The information follows:]

We have conducted only preliminary investigative inquiries into bid rigging activities involving other modes. Our inquiries disclosed an absence of traditional bid rigging patterns in contracts involving the other modes. However, our inquiries revealed other criminal violations, such as fraudulent change orders, false claims for overstated labor charges, substandard materials, etc., in our review for example of the FAA Airport Improvement Program.

INDICTMENTS, CONVICTIONS AND FINES

Mr. LEHMAN. Please update the table on page 174 of last year's hearing record which gives a state-by-state summary of indictments, convictions, fines, and jail sentences.

[The information follows:]

BID RIGGING INVESTIGATIONS RESULTS -- 2-25-79 THROUGH 1-31-86

STATE	INDICTMENTS	CONVICTIONS (Individ.)	CONVICTIONS (Corp.)	FINES NO.	FINES $ AMOUNTS	CONFINEMENTS NO.	CONFINEMENTS Yrs./Mos.
ALABAMA							
ARIZONA							
ARKANSAS	2		2	2	953000		
CALIFORNIA							
COLORADO	21	6	5	10	1765000	6	3Y 11.0M
CONNECTICUT	7	1	1	1	50000		
DELAWARE	1		1	1	30000		
FLORIDA	26	9	14	21	3842500	3	1Y
GEORGIA	41	24	17	17	5285000	21	2Y 11.5M
HAWAII							
IDAHO							
ILLINOIS							
INDIANA							
IOWA	16	6	8	9	2062500	5	1Y 2.0M
KANSAS	34	15	14	25	4356000	14	10Y 8.5M
KENTUCKY	9	1	2	3	500000		
LOUISIANA							
MARYLAND	17	6	8	10	1033000	3	3.0M
MASSACHUSETTS							
MICHIGAN							
MINNESOTA	33	13	4	14	280000	9	2.25M
MISSISSIPPI	3	1	1	1	200000		
MISSOURI							
MONTANA							
NEBRASKA	32	12	13	22	4314203	11	1Y 4.0M
NEW HAMPSHIRE							
NEW JERSEY	25	8	9	16	870000	2	7.0M
NEW MEXICO							
NEW YORK							
NORTH CAROLINA	67	39	26	36	8695000	33	7Y 1.5M
NORTH DAKOTA	5		2	2	60000		
OHIO							
OKLAHOMA	13	2	5	7	452000	2	3Y 6.0M
OREGON							
PENNSYLVANIA	48	11	21	23	2661000	11	2Y 4.0M
PUERTO RICO							
RHODE ISLAND							
SOUTH CAROLINA	16	5	9	9	1475000	5	2Y 10.5M
SOUTH DAKOTA	10	3	7	10	870000		
TENNESSEE	82	45	32	52	8526500	21	12Y 5.0M
TEXAS	45	19	34	52	6076000	2	4Y
UTAH							
VERMONT	4	2	2	4	500000	1	1.0M
VIRGINIA	63	29	24	40	6435000	24	5Y
WASHINGTON							
WEST VIRGINIA							
WISCONSIN							
WYOMING							
TOTALS	640	257	261	387	61291703	173	59Y 7.25M

CONVICTED CONTRACTORS

Mr. LEHMAN. Please update the list on pages 174 and 175 of last year's hearing record that gives the contractors and corporations convicted of bid rigging, the state where convicted, and the fine imposed.

[The information follows:]

Corporations convicted in bid rigging prosecutions

March 1, 1985–January 31, 1986

State Where Convicted and Company:	*Fine*
Connecticut, Dosch-King Corp	0
Minnesota, McLaughlin & Schul, Inc	0
Minnesota, Tow Bros. Construction, Inc	$6,600
Minnesota, Rupp Construction	0
Minnesota, Ulland Brothers	16,500
North Dakota, William Collins, Inc	20,000
North Dakota, S&S Construction Co	35,000
New Jersey, Somerset Tar	35,000
New Jersey, Penn Jersey Paving	105,000
New Jersey, New York Bituminous	0
New Jersey, James Reed Sales	25,000
South Dakota, McLaughlin-Schulz	115,000
South Dakota, Komatz Construction Co., Inc	50,000
Texas, Jones Brothers Dirt and Paving	250,000
Texas, Leyendecker Highway Contractors, Inc	0

FAA HOST COMPUTER INVESTIGATION

Mr. LEHMAN. You recently conducted an investigation of the contract bid submission for the Federal Aviation Administration host computer.

What are the allegations that led to your investigation? What is the status of the investigation and what, if any, findings can you share with us at this moment?

Mr. GENOVESE. The investigation of the host computer case, Mr. Chairman, disclosed a possible violation of 18 U.S.C., Section 1905, Disclosure of Confidential Information. The case has been accepted for criminal prosecution by the U.S. Attorney. There will be grand jury activity during the month of March. That is all the information I can give you at this time.

Mr. LEHMAN. That is enough. This particular bid submission involved supposedly tight security to maintain strict secrecy, and yet there were still reports of bid leaks.

Does this cause you concern that bid leaks may occur with more routine bid submissions that involve less secrecy?

Are there systemic weaknesses in the security procedures for the overall Department-wide bid submission process? Is this an area you are investigating?

Mr. GENOVESE. We think that the situation in the host computer case was somewhat unique. What happened in that case was that the information was obtained from the contracting officer's desk by a co-worker.

We have no indications that there are systemic weaknesses in the bidding process.

Mr. LEHMAN. There are no built-in problems?

Mr. GENOVESE. No, sir.

AREAS OF ABUSE

Mr. LEHMAN. Last year, Mr. Welsch indicated that allegations of criminal abuse in the personnel system, for example, in overtime and travel, and in procurement practices are on the increase.

What types of abuses are you finding, and what is the magnitude of these problems in terms of numbers of incidents, and dollars involved?

Mr. GENOVESE. There has been an increase in these types of investigations, Mr. Chairman. Most of the cases involve fraud issues, such as travel fraud.

The money involved is between a thousand and $14,000 per case. In 1984, we had 14 indictments of this kind of case; in 1985 we have twenty-four.

The convictions in 1984 were nine, and in 1985 it was twenty-seven. What we are talking about is false claims, contract cost mischarging, false statement, theft of government property, and as I indicated, false travel vouchers.

Mr. LEHMAN. How does that actually work? How does a person benefit individually from a false travel voucher? How does the person put the money in his pocket from a false travel voucher?

Mr. GENOVESE. In the cases that we were investigating, employees were being moved from one locality to another, and in that process they were being reimbursed for travel expenses, for hotel rooms for both themselves and their family, and for moving household goods.

In presenting their vouchers, they would mischarge, or——.

Mr. LEHMAN. Overcharge?

Mr. GENOVESE. Either the amount of travel performed or the number of dependents that were with them, or the amount they paid for the hotel rooms. They would actually be reimbursed more than was permitted by the regulations.

Mr. LEHMAN. There must be some kind of a mileage restriction, or some kind of a per diem that would control that to some extent, but I guess there are always ways you can circumvent that?

Mr. GENOVESE. Yes, sir.

COAST GUARD PROCUREMENT

Mr. LEHMAN. This committee is particularly concerned with weaknesses identified in the Coast Guard's procurement program by both the General Accounting Office and your office.

Last year, Mr. Welsch told us that he believed there was "a problem in the Coast Guard in developing adequate requirements for the procurement process".

He mentioned some of the problems identified in your system reviews:

(1) proceeding with the procurement process before adequate testing;

(2) developing specialized needs when off-the-shelf items may have satisfied the requirement; and

(3) inadequate documentation from the contractor for spare parts follow-on.

What recommendations did you make to the Coast Guard to correct these problems?

Is the Coast Guard making progress in correcting these weaknesses and are you satisfied with that progress?

Mr. GENOVESE. Mr. Chairman, the five significant Coast Guard acquisitions that we reviewed disclosed that DOT needed a better controlled acquisition process. The whole process of acquiring these major systems needed to be streamlined because the process was so fragmented. The recommendations that we made with respect to the Coast Guard was that the project managers and the acquisition teams needed to be assigned sooner. In some cases, there was a time lapse as long as two years, from the time that the money was provided to the time that the contract was actually let.

Coast Guard needed to tailor the requirements and specifications to make greater use of standard and off-the-shelf designs. The internal Coast Guard review process needed to be streamlined. We also recommended that they initiate earlier coordination with the Office of the Secretary, which is also involved in the approval process.

We also made recommendations to the Office of the Secretary. OST needed a more systematic means of tracking large procurements, and they needed to establish procedures for identifying and correcting these systemwide deficiencies.

We also recommended an increase to the dollar level of the contracts that they approve. We felt that they were approving some of the contracts at too low a level, and, as a result, creating a bottleneck.

The Coast Guard did implement our recommendations. We did have some disagreements. For example, they thought that the informal coordination that we were advocating between OST and Coast Guard would, in the long-run, delay the effort. They were also reluctant to, as they said, denigrate the requirement process just to accommodate off-the-shelf items.

They have established an Office of Acquisition which we feel will correct most of the problems that we found during the review.

Mr. LEHMAN. Last week, in our Coast Guard hearing, Admiral Gracey told us that he did not agree that developing adequate requirements was a problem.

Can you give us some specific examples of these problems now, or for the record?

Mr. GENOVESE. We can provide some for the record, Mr. Chairman. I do know that we had evidence that they could have curtailed the procurement process had they gone "off-the-shelf." In addition, we felt that some of those items that they were not buying "off-the-shelf" could have been bought off-the-shelf and would have satisfied major requirements.

We are not suggesting that they denigrate their requirements to accommodate "off-the-shelf." We will provide some more information for the record.

[The information follows:]

Patrol Boat (WPB) Acquisition: The requirements and specifications to support the solicitation of bids or proposals for off-the-shelf patrol boats for multimission requirements were not finalized for more than 2 years after the project was approved and funds were available. We found that crewboats available from the Maritime Administration at a reasonable cost, could effectively perform patrol functions for critical drug interdiction missions in the south Florida area. This would reduce the requirement for the new, more expensive patrol boats which the Coast guard planned

to procure. Our conclusion was based on the similarity of physical characteristics, normal profile of drug smuggling vessels, and typical patrol routines. The Coast Guard disagreed with our recommendation concerning the crewboats, primarily because the crewboats did not meet the multimission requirements established for all patrol boats. However, the multimission capabilities were not required in the south Florida area and consideration should have been given to the more cost-effective and timely solution provided by the crewboats.

Forward-Looking Infrared (FLIR) Sensor System: The Coast Guard developed requirements and specifications for high-performance FLIR systems which were so stringent that available off-the-shelf designs were eliminated from consideration. High-performance FLIRs are not required for all mission needs. An off-the-shelf model with almost identical specifications, which had proven successful in search and law enforcement operations, could have performed nearly all of the Coast Guard's operational missions. An estimated savings of about $29 million could be realized if a mix of high-performance and off-the-shelf FLIRs were procured. The Coast Guard disagreed with our recommendations, but were instructed by the Transportation Systems Acquisition Review Council to review and clarify the requirements in the FLIR technical specifications to identify those requirements that should be considered optional.

We believe that off-the-shelf or standard designs, which would have satisfied most of the major requirements for some systems, were more readily available at lower cost. In some cases, the requirements established were more stringent and restrictive than necessary. We did not intend that designs be adopted which would not fulfill basic requirements, but that a cost/benefit type of evaluation should be performed to ensure that all requirements were necessary and cost-effective.

Mr. LEHMAN. Of course all DOT procurements over $100,000 are reviewed and approved by the Transportation Systems Acquisition Review Committee (TSARC).

However, as we recommended in our fiscal year 1986 report, and as your testimony of last year supports, the Office of the Secretary needs to become involved much earlier in the acquisition process to permit more timely assessments of the Coast Guard's mission requirements and of alternate means of satisfying these requirements.

Do you see any progress being made by the Office of the Secretary, and is the Coast Guard fully cooperating with TSARC?

Mr. GENOVESE. The Office of the Secretary has made some effort in getting involved earlier in some of these major Coast Guard acquisitions. OST is involved earlier with the FAA and it seems to be working. We made this recommendation during our acquisition review. The Coast Guard was of the opinion that if you have informal discussions it could delay the overall process. In other words, the Coast Guard would prefer that they have the official Coast Guard position before much contact or discussion is made with the Office of the Secretary.

We think the new Coast Guard Office of Acquisition, and some of the proposed realignment that OST is doing with respect to its procedures, should involve the Coast Guard much earlier, and hopefully, it will speed up the process.

REVIEW OF CG AND FAA SPARES AND REPAIR PARTS

Mr. LEHMAN. You recently completed a review of the spares and repair parts requirements determination processes used by the Coast Guard and the Federal Aviation Administration.

Would you please summarize the results of your review, indicating the more significant types of problems, your recommendations, and the status of corrective actions?

Mr. GENOVESE. Our review of the DOD findings disclosed two major areas which were applicable to the FAA and Coast Guard. One was in the initial provisioning and the second major area was the replenishing.

A more specific breakout of these two areas disclosed that the problems apply to the validity of the data, the procurement lead-time, the stock levels, the asset visibility and control and the unserviceable repairables.

We and the GAO had done a number of audits in these areas. Most of these problems and weaknesses had been identified in prior reports, and corrective action has been initiated or promised by the Coast Guard and the FAA. We think that the problem, in the long run, should be corrected. Yes, we did find very similar problems.

Mr. LEHMAN. Would you please provide additional details and copies of the reports for the record?

Mr. GENOVESE. I will do that, Mr. Chairman.

[The information follows:]

Our analysis of prior DOT/OIG and GAO audit reports disclosed 13 reports identifying problems relative to USCG and FAA practices for determining requirements for spares and repair parts. However, most of the audit reports addressed problems in USCG because FAA has limited requirements for spares and repair parts.

In the USCG, these problems mainly concerned the validity of data. Prior audits disclosed that inventory records, such as historical usage, lead time, and other data necessary to determine the correct quantities to buy were inaccurate. As a result of our recommendations, USCG officials are in the process of improving automated inventory management systems and completing physical inventory verifications.

In the FAA, problems mainly concerned the procurement lead time. Problems have arisen in the calculation of actual lead time because of the use of an arbitrary rounding factor and excessive delays occurring between the receipt of items and their availability for issue. Both problems overstated the actual lead time and resulted in premature and/or excessive procurements. FAA officials have eliminated the rounding factor from future lead time computations and emphasized the timely processing of received items into the warehouse.

Mr. LEHMAN. We requested in House Report 99-256 that you review the September 21, 1984 advisory report of the Department of Defense Inspector General concerning requirements determination processes and repair parts.

The DOD Inspector General found the most prevalent weaknesses in DOD's processes to be the use of inadequate or inaccurate data and the lack of effective management and control systems to deal with these conditions.

Do these problems similarly plague either the Coast Guard or the FAA? Do the Coast Guard or the FAA processes share any of the other problems identified by the DOD Inspector General?

Mr. GENOVESE. Similar problems did exist with respect to the quality of the data which was attributable to lack of guidance and noncompliance with procedures. Some problems were attributable to the outdated computers that were being used.

Corrective action is being initiated and should alleviate the problems. Some of the specific recommendations that the DOD Inspector General made were not applicable to FAA and Coast Guard because of the different systems they were procuring. Similarities do exist and corrective actions will be taken.

Mr. LEHMAN. Where you found problems similar to those in the Department of Defense, would the Coast Guard and/or the FAA

procedures benefit from implementing the DOD–IG or similar recommendations?

Please answer briefly now, and then expand on your answer for the record.

Mr. GENOVESE. In most cases, Mr. Chairman, the general problem may have existed but the specific recommendation may not have been applicable. We will provide this information for the record.

[The information follows:]

Similar to DOD, FAA and CG have problems with inadequate or inaccurate data in the spare parts requirements determination processes and the lack of effective management and control systems to deal with these conditions. Problems in data quality were generally attributed to the lack of effective procedures and guidance and noncompliance with established procedures. The conditions were also attributable, at least in part, to the huge volume of data that must be assimilated and inadequate automated inventory management systems. A significant amount of time and effort is expended in manually validating and revising the data maintained in the automated systems. The audit recommendations in 10 of the 13 DOT/OIG and GAO reports discussing problems in spare parts requirements determination processes addressed data validity problems. FAA and CG actions to implement these recommendations will help to ensure that sufficient, but not excessive, stock of spare parts are maintained on hand to meet users' needs.

Some of the findings and recommendations in the DOD/OIG's report identified in the areas of initial provisioning and replenishment of spare parts were also applicable to FAA and CG. For the purposes of our review, however, these deficiencies were refined into six categories as follows: initial provisioning; validity of data; procurement lead time; stock levels; asset visibility and control; and unserviceable reparables.

Mr. LEHMAN. In the same review, the DOD Inspector General also looked at the spares and repair parts determination procedures used by the commercial airlines.

The Department of Defense is particularly interested in the airlines' buy-back provision, a procedure whereby the manufacturer agrees to buy back its surplus spares and repair parts from the airline.

What is your assessment of this provisioning feature and should the FAA or the Coast Guard consider including this or a similar provision in their contracts?

Mr. GENOVESE. Mr. Chairman, with respect to the buy-back clauses which require the contractor to repurchase unused or damaged spares, we have not done extensive review in that area at this time. We are not in a position to address that at this time.

CG YARD SHIP'S INVENTORY CONTROL POINT

Mr. LEHMAN. Your review of the Coast Guard Yard Ship's Inventory Control Point found that more than 40 percent of the ships parts inventory—worth $44 million—was either excess, inactive, unserviceable, or missing. Also, physical inventories were not performed and there was a $7 million discrepancy between warehouse and SICP records.

Has this occurred because the Coast Guard's inventory control system is inadequate, or are there other problems such as poor management or personnel abuses? Please summarize your findings, recommendations, and the status of the Coast Guard's implementation of corrective actions.

This is one area that I have talked with Admiral Gracey about at some length. If you do not take a physical inventory you do not know what you have. As I explained to him, I have been in the automobile business and I know what shrinkage is in parts departments and I know what obsolescence is in parts departments.

His answer was of course that we have some old ships, and if we throw away some parts, that may be the very part we might need ten years from now. But then you are carrying an awful lot of obsolescent parts and it costs money to store parts.

I also would like to know whether you have any ideas about shrinkage, which usually comes from employees walking off with screwdrivers, electric motors, or whatever.

Give us what you have now, and then supply whatever else you have for the record.

Mr. GENOVESE. Mr. Chairman, we did find some discrepancies in the inventory, but the major problem was excess, inactive, or missing and unserviceable parts.

We found that this was attributable to a lack of a good management information system which would monitor the daily operations. In addition, the Coast Guard had not conducted physical inventories. As far as the corrective action is concerned, they have taken the physical inventories or they are being taken right now. They are also verifying all the due-ins, and a new management information system is being developed.

Mr. LEHMAN. If you have a good salesman and a procurement person that is not very decisive, that salesman can sell an awful lot of parts that the Coast Guard does not need. I know that in the private sector it happens all the time.

Our parts manager used to buy floor mats. A case of booze at Christmas to a parts manager will make his sales resistence go down a whole lot. I just hope that these things are not happening in the Coast Guard.

Mr. GENOVESE. We find no evidence of that, Mr. Chairman.

COAST GUARD SUPPLY OPERATIONS

Mr. LEHMAN. Have you looked at the Coast Guard's other inventories, such as aircraft, electronics, and so forth, which really are more valuable, more portable, and more exchangeable than some of the ship yard inventory items?

Mr. GENOVESE. We have done quite a bit of work in supply operations. I think we have done thirteen audits and we have found problems with the replenishing, excess stock, and some of the problems we have just discussed.

[The information follows:]

Listing of supply and property audits, USCG

FY 1981 through FY 1985

Supply Management, Honolulu Hawaii	R9-CG-3-059
Small Arms Control, Honolulu, Hawaii	R9-CG-3-020
Personal Property Management, Cleveland, Ohio	R5-CG-3-195
Fuel Source, San Francisco, California	R9-CG-3-016
Fuel Management, Portsmouth, Virginia	R3-CG-3-015
Management of Personal Property, Governors Island, New York	R2-CG-3-024
Nonexpendable Personal Property, Groton, Connecticut	R1-CG-5-085
Personal Property, New London, Connecticut	R1-CG-5-107

Aeronautical Field Stocks, Miami, Florida	R4-CG-5-165
Personal Property Management, St. Louis, Missouri	R7-CG-5-067
Support Center, Industrial Operations, Portsmouth, Virginia	R3-CG-4-041
Fuel Management, Alameda, California	R9-CG-4-021
Personal Property Management, Alameda, California	R9-CG-4-062
Supply and Inventory Operating, Kodiak, Alaska	R0-CG-4-062
Supply and Procurement, Curtis Bay, Maryland	R3-CG-4-108
Small Arms Control, Cleveland, Ohio	R5-CG-4-134
Fuel Management, St. Louis, Missouri	R7-CG-4-070
Supply Management, St. Louis, Missouri	R7-CG-4-108
Property Management, Yorktown, Virginia	R3-CG-2-003
Base Supply and Industrial Operations, St. Louis, Missouri	R7-CG-2-055
Polar Operations and Supply Support, Aviation Training Center, Mobile, Alabama	R9-CG-1-213

COAST GUARD ACQUISITION PROCESS

Mr. LEHMAN. In a recent management review of the Coast Guard's acquisition process you looked at five procurements totalling almost $600 million. Please identify these procurements and summarize your findings and recommended corrective actions.

How did the Coast Guard and the Office of the Secretary respond to your findings and recommendations, and are you satisfied with the progress being made in implementing the corrective actions?

[The information follows:]

The five procurements included in our study were: 378-Foot High Endurance Cutter (WHEC) Fleet Renovation and Modernization (FRAM) Program; Patrol Boat (WPB) Replacement Program; Command, Display and Control (COMDAC) System; Marine Safety Information System (MSIS) Procurement; Aerostat Procurement.

Finding: The Coast Guard and the DOT can improve the timeliness and effectiveness of their acquisition practices. The procedures established by the Federal Acquisition Regulations for acquiring major systems take a significant amount of time and effort to accomplish and to ensure that the Government obtains quality materials and services at a reasonable price. The established procedures appear to be generally effective. In many cases, the acquisition process was delayed because the Coast Guard did not take timely action to accomplish the required detailed planning and coordination. In addition, OST was not performing its monitoring and evaluation mission in a manner which would strengthen and shorten the acquisition process. Some additional factors which delayed the procurement process were outside of the Department's control.

Recommendations to the Coast Guard:

1. Assign project managers and acquisition teams to initiate detailed planning as soon as feasible and establish guidelines for accomplishing the requirements determination of the procurement process.
2. Tailor requirements and specifications to make greater use of standard and off-the-shelf designs for equipment and systems.
3. Initiate earlier, informal coordination with OST elements to preclude later delay in the approval of formal procurement documents.
4. Take steps to streamline the review process within Coast Guard and ensure submittals to OST contain complete and accurate information needed for OST evaluation and approval.

Coast Guard Response: The Coast Guard agreed with the recommendations except for No. 2, where they stated that requirements or specifications would not be "denigrated simply to accommodate off-the-shelf designs," and No. 3, where they stated that informal, piecemeal submissions that may not reflect the ultimate coordinated Coast Guard position would only serve to create confusion and to generate even more questions.

Recommendations to the Assistant Secretary for Administration:

1. Establish procedures for identifying and correcting system-wide deficiencies to ensure major acquisitions are more timely and effective.
2. Provide a more systematic means of tracking and evaluating the accomplishments of the review and approval process.
3. Consider revising the dollar value level of actions requiring OST approval to free resources for higher priority work.

Assistant Secretary's Response: The Assistant Secretary agreed with our recommendations and outlined a series of actions to provide a more streamlined and better controlled acquisition review process in OST and in Coast Guard.

OIG Comments: We believe that off-the-shelf or standard designs were available which could have satisifed most of the major requirements for some systems more timely and at lower cost. In some cases, the requirements established were more stringent and restrictive than necessary. We did not intend that designs be adopted which would not fulfill basic requirements, but that a cost/benefit evaluation should be performed to ensure that all requirements were necessary and cost-effective.

OST has used the early informal coordination in dealing with acquisitions by the FAA and has concluded that this approach has made the acquisition process more timely. OST indicated that they would work to improve communications with the Coast Guard.

The Coast Guard has established an Office of Acquisitions which we believe will assist in making the acquisition process more effective and timely. OST also is considering some organizational changes. We feel that all of the actions indicated will improve the acquisition process.

We will continue to monitor the impact of these changes and the effectiveness of the procurement process through additional audits of specific acquisition programs and elements of the acquisition processes.

COAST GUARD CASH MANAGEMENT

Mr. LEHMAN. As a result of your audit of the Coast Guard's management of their Command, Display, and Control computer system, the Coast Guard agreed to implement several of your recommendations to more effectively manage this project and to better control large, complex projects.

However, they did not agree to other recommendations on cash management. What were your specific cash management recommendations, on what basis did the Coast Guard disagree, and have they reconsidered their decision?

Mr. GENOVESE. The major finding with respect to cash management was that we felt that the Coast Guard should develop procedures, guidelines, financial reports, and contract language necessary to minimize expenditures for acquisition of material that were being made by contractors before it was needed.

The Coast Guard Cash Management practices result in the Federal government paying more interest than is necessary. The Coast Guard felt that their procedures and practices were consistent with Federal regulations.

Our recommendations were just good cash management practices. They certainly were not contrary or inconsistent with the Federal regulations. The Coast Guard did agree with our other recommendations including the $1.2 million savings from reduced computer storage capability.

Mr. LEHMAN. At this time I would like to yield to Mr. Coughlin.

ADEQUACY OF OIG RESOURCES

Mr. COUGHLIN. Thank you, Mr. Chairman. Let me just ask a couple of broad general questions, first, and then continue with the questions here.

The Department of Transportation obviously spends a great deal of money, and I guess we, as a subcommittee, have to look to you to try and assure that the taxpayer's money is being well spent.

Do you feel that we are spending money on highways and in the Coast Guard on acquisitions, as well as can be expected? We have the whole NAS plan, which is a multi-billion dollar contracting op-

eration, airport construction contracts, and mass transit construction contracts.

Do you feel that you have adequate assets to monitor the spending of this money and to assure that it is well spent?

Mr. GENOVESE. Mr. Chairman, audit and investigation is a level of effort. We think that at this time, the level of effort that we are spending on audit and investigation is adequate, considering the budget of the Department, and the other priorities that the Department may have. I think that the $911 million in recoveries, fines, penalties, and cost avoidance is certainly a good cost-benefit ratio for the Office of the IG.

We identify and elaborate on weaknesses. Therefore, the $911 million is not indicative of the way the Department is run. We think the Department is well run, but there is always opportunity for improvement.

COOPERATION WITHIN DOT

Mr. COUGHLIN. Obviously, and I guess I am looking for your overall assurance that you feel that things are well run generally. There are always chances for improvement and there are always glitches.

Do you feel that you get adequate cooperation from the Department, from contractors, from the various agencies in the Department?

Mr. GENOVESE. We get excellent support from the Secretary and the top officials in the Department of Transportation. There will always be situations where we do not agree on certain findings. The auditor is looking at it after the fact and making evaluations and judgments. Overall, I think that we do get excellent cooperation from Department officials. We have not had any problems with contractors, or grantees, to my knowledge.

Again, occasionally, they will disagree with what we are saying and what we are trying to do, but overall, I would say that we get good cooperation.

Mr. COUGHLIN. And let me ask just one other general question and I will come back to the $911 million in a moment. Do you have confidence in your own department, that you are not being corrupted in any way by the other agencies, or by contractors, or what have you?

Mr. GENOVESE. We certainly have no indications that our department is doing anything that would adversely impact our work.

We receive excellent cooperation as far as we are concerned.

COST RECOVERIES

Mr. COUGHLIN. As I said, I am asking these questions for the record because we do look to you to try and assure this subcommittee, which appropriates an awful lot of the taxpayer's money, to make sure that it is well spent. Could you provide for the record a breakdown of the $911 million that you mentioned, by categories, that you mention on page 2 of your statement.

Mr. GENOVESE. Yes, we can do that.

[The information follows:]

	Million
Measurable Audit Savings	$899
Fines	3
Penalties	2
Cost Avoidance	7

FAA REGULATION ENFORCEMENT

Mr. COUGHLIN. According to your most recent semiannual report, you conducted a review of the regulation enforcement practices in three FAA regions. What deficiencies or weaknesses did you find, what corrective actions did you recommend, and what is the status of their implementation?

Do you have reason to suspect that the problems that you found in these three regions exist in any or all of the others? If not, why are these problems confined to these areas; conversely, if you do suspect the weaknesses to be more widespread, do you intend to conduct audits in the other regions?

Mr. GENOVESE. Our audit of the FAA Regulation Enforcement Practices was done in the central region, the northwest region, and the Alaskan region.

The overall finding with respect to these regions was that we could improve the enforcement of aviation regulations. For example, in the central region, we felt that more emphasis should be placed in non-major airlines. In the northwest region, we concluded that the investigations needed to be completed on a more timely basis as well as the adjudication process. Sometimes when fines were being levied, the whole adjudication process of that fine was taking too long.

In Alaska and the northwest region, we found that sanctions would be applied because of a violation and then the fine would be reduced. When we took a look to see the reason for the reduction, we found no evidence to support some of these reductions. Therefore, we felt that these sanctions should be better supported.

When a particular adjudication process established a fine, and the fine is subsequently reduced, the record should indicate the rationale as to why it was reduced.

Mr. COUGHLIN. Do you have any reason to believe that the problems you have found in these regions exist in any or all of the other regions? If not, why are the problems confined to these regions. If you do suspect that the weaknesses are more widespread, do you intend to conduct audits in the other regions?

Mr. GENOVESE. Mr. Chairman, with respect to inspection and enforcement, during the last few years both the Office of the Secretary and the FAA have done so many of these reviews that we have devoted our resources to other areas. We did look at these three regions and possibly some of these problems exist in some of the other regions. But we think that the OST reviews and the FAA reviews, at this time, are fairly extensive and will identify some of these problems.

FAA REMOTE MAINTENANCE MONITORING SYSTEM

Mr. COUGHLIN. Your review of the FAA's Remote Maintenance Monitoring System found that $56 million was spent or planned for

equipment that is under-used and incompatible with the planned RMMS or other soon-to-be replaced systems.

The FAA agreed to establish central management for the RMMS effort. Will this corrective action be sufficient to ensure greater equipment use, to prevent obsolescence, and to see that potential savings from the RMMS are finally realized?

Mr. GENOVESE. We think that the corrective actions they have agreed to take should alleviate the basic problem which was the underutilization and incompatibility of equipment.

They did agree to provide a stronger planning and management structure for the programs. And in the future, they will accrue savings from this.

Mr. COUGHLIN. What will happen with the $56 million worth of equipment that was under-used?

Mr. GENOVESE. It is being used more effectively now. In the future, it will be used more effectively. As far as recovering or saving any of the $56 million we have no indication as to what that amount will be. The report indicates that this was money that was spent or planned for expenditure in the future. We think that the future will have a more efficient Remote Maintenance Monitoring System.

NATIONAL HELIPORT SYSTEM

Mr. COUGHLIN. Last year you conducted a review of the FAA's plans for promoting the rotorcraft industry and for establishing a national heliport system. You found that the FAA does not have a consistent approach toward identifying, analyzing and implementing a cost-effective national heliport system, and expressed reservations about the FAA's involvement in promoting the heliport industry.

Please summarize your findings and recommendations briefly and then provide additional information for the record. Also please summarize what corrective actions the FAA has agreed to take.

Mr. GENOVESE. Basically our finding in that particular review was that the regional planning would not achieve the goals of the national system. We found that regions with a few number of rotorcraft were pursuing development of a system, whereas regions with a large number of rotorcraft were not doing anything with respect to heliport development.

In addition, there was no economic analysis being performed to see whether the system was cost-effective, whether there was enough traffic, whether there were enough rotorcraft.

Along with that review, we looked at three demonstration projects that were being run and we also found some problems with respect to these three projects; one in New York; one in Los Angeles; and one in New Orleans.

Mr. COUGHLIN. Can you summarize what corrective action the FAA has agreed to take?

Mr. GENOVESE. Yes, Mr. Furukawa.

Mr. FURUKAWA. Yes, the FAA has agreed to do a better job of planning and coordinating their entire program as far as heliport development is concerned. In terms of the three specific locations,

they did agree to take another look at the feasibility of their plans in those regions.

Basically we felt that the specific sites that were planned for heliport development were not suitable, in some cases because of inaccessibility, and in other cases, because there were other kinds of aircraft traffic which could interfere with helicopter operations.

They have agreed to reassess all of these problems.

Mr. COUGHLIN. I did not even realize that we were involved in this program.

EXCESS BUSES

In visits to seven transit authorities, you found that the number of buses in operation were far in excess of peak requirements. Based on the results of this and a related audit, you concluded that outlays for bus replacements could be reduced by "hundreds of millions" by using an alternative methodology for determining bus fleet requirements.

What criteria are used by transit operators to determine bus fleet requirements and what criteria are advocated by UMTA , and how do they differ from your alternative methodology?

Mr. GENOVESE. At the time of our review, the bus operators had no common methodology for determining spares and their peak requirements. We felt that the peak requirements are the best indicators and that the spares should be equal to 20 percent of the peak requirements of a particular transit authority.

We found that many authorities had as much as 39 percent of their peak requirements as spares. Based on our analysis, there were approximately 8,700 buses that may have been excess. UMTA has issued criteria which require that the spares be determined on the basis of 20 percent of the peak requirements.

Mr. COUGHLIN. In accordance with your recommendations?

Mr. GENOVESE. Yes, sir.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Yes, sir.

Mr. LEHMAN. With all of these excess buses, one of the complaints I get most frequently in my Congressional District is the gap in the lead time between buses. People are waiting an hour for a bus, and they come from other cities where they are accustomed to perhaps a ten minute wait.

Is that bad management on the part of the local transit system? I know what may have caused all of this. Municipalities were planning for the worst case energy crisis so that all the buses that they could possibly get were acquired.

Also there is the fact that new buses were paid for by the federal government and repairs were paid for out of local money, so they have acquired a lot of buses. And yet, with all of these buses, and with all of this excess supply, my people still have to wait an hour for a bus if they miss a bus on a major route.

I do not understand the extent of the problem of excess buses given the wide lead time between buses in so many areas. I am sure it is not just applicable to South Florida.

Mr. GENOVESE. Mr. Chairman, the review that we did only dealt with the excess buses in seven areas. I am sure that there are

other areas that do not have sufficient buses. We did not look at the scheduling. Even though a transit authority may have a lot of buses, the operators, and the amount of money that it takes to pay those operators, probably determine the scheduling. If a person is waiting a long time for a bus, that is a scheduling problem. It may be the result of a lot of things that the transit authority is trying to accomplish with the revenue that it brings in.

Mr. LEHMAN. We spent some time with the Greater London Transit Authority about a year or so ago. Are you comparing your excess bus fleet requirements with some of the western European bus fleets? They are much more bus dependent than most of our big cities. Also how do they operate as far as the utilization of their bus fleets compared to the ridership, the cities and the transit operators in this country?

Have you any comparable figures, or could you perhaps provide us with some?

Mr. GENOVESE. We do not have any of those figures at this time but we would be happy to take a look at it. We took the peak requirements, the highest number of buses that were needed at peak hours, and took 20 percent of that. We felt that was a reasonable figure for spare buses.

Mr. LEHMAN. You know, I have never waited over ten minutes for a bus in London, and I just wonder how they do that?

I am sorry, Mr. Coughlin, you may continue. How is the lead time on buses in your area?

Mr. COUGHLIN. I would say, Mr. Chairman, because the area is so suburban it tends to be very sparsely served, in a sense.

Mr. LEHMAN. I will not pursue this now, but I would like to talk with you about your problems some time and compare it with ours. I would appreciate it if you would continue.

Mr. COUGHLIN. Could you tell us at what seven areas you looked; I am just trying to figure out if these are major metropolitan areas or——

Mr. GENOVESE. They are major metropolitan areas, Mr. Congressman.

Mr. COUGHLIN. Could you provide that for the record, please?

Mr. GENOVESE. Yes, I could provide that for the record.

[The information follows:]

The seven transit authorities that were included in our Audit of Grantee Bus Usage were:

Washington, D.C., Baltimore, Maryland, St. Louis, Missouri, Kansas City, Kansas, St. Paul, Minnesota, Salt Lake City, Utah, and Cleveland, Ohio.

Mr. COUGHLIN. What reasons did the transit authorities give for having such a high number of excess buses?

Mr. GENOVESE. I think since there was no specific methodology or requirement, they either did not think about it, did not manage it properly or took a high figure. As the Chairman pointed out, the Federal government was paying for most of these buses. So in most cases, there was no incentive for them not to have a large number of spares.

Mr. COUGHLIN. Does UMTA look at this before they approve the grant to buy new buses?

Mr. GENOVESE. In this particular case, they now have criteria that requires the transit operators to report peak requirements and the number of spares.

Mr. COUGHLIN. And you think that this will save hundreds of millions of dollars? The hundreds of millions figure intrigues me, obviously.

Mr. GENOVESE. I certainly do, Mr. Chairman, because 8,700 buses is a lot of buses and this is over a continuous period.

BUS MAINTENANCE

Mr. COUGHLIN. You have also been looking at the bus maintenance operations of a large transit operator that has had continuing problems with maintenance inspections, timely repairs, losses associated with vandalism, and cannibalization of buses awaiting repair. What specific, continuing problems is this operator having, and do you have any reason to suspect that other operators may be experiencing similar problems?

Mr. GENOVESE. That particular audit only addressed one operator. We have had some problems with other operators, but not to the extent that we found there. Any time you have excess buses and spare buses and if your maintenance crews and overall physical security area is not adequate, you are going to have these types of problems.

This transit authority was not performing major overhaul on time and these buses were stacking up. The other weakness was that there was no control over the decision making process as to which buses to repair or which buses to store. Unfortunately, there was no accountability for the buses in storage.

If you add all of these things to the poor physical security, I mean there were no fences, this is what generated so much vandalism and so much damage to those buses.

This particular transit authority has shown improvement in this area. We did an audit in 1979 of the same transit authority. We found when we went in the second time, that the situation had improved.

Mr. COUGHLIN. Is this a situation where it is easier to buy a new bus than it is to repair an old one?

Mr. GENOVESE. There had been cases where the maintenance had been either deferred or not done at all, because it was easier to get a new bus than to repair the old one. In view of the budget constraints and the improvements UMTA has made, I do not think that this is the case any more.

Mr. COUGHLIN. Do you see reductions in operating assistance to the transit authorities that have occurred as likely to induce transit authorities to reduce their maintenance?

Mr. GENOVESE. You mean to increase their maintenance?

Mr. COUGHLIN. No, I mean to reduce their maintenance, because they can get capital money to buy new buses but cannot get money to maintain the old ones.

Mr. GENOVESE. That has been a continuous problem within UMTA for the last several years. Capital money was easier to get than operating money. Some of the transit authorities were not

doing the maintenance because they could get the capital money easier.

As to whether that is going to be reversed in these budget restraint times, I do not have any information to address that.

Mr. COUGHLIN. Do you see that as being a pervasive problem—the failure to maintain buses because it is easier to get capital money to replace them?

Mr. GENOVESE. Our reviews disclose that it has been a pervasive problem in the past. As to the reason, we can only speculate as to whether it was poor management or whether it was easier to get capital money. It has been a problem for the last four or five years. Our audits have disclosed that maintenance has not been done the way it should have been done.

Mr. COUGHLIN. Has UMTA recovered any costs associated with the reduced value of the buses at this particular transit authority that you were looking at?

Mr. GENOVESE. I do not have that information, Mr. Coughlin. I will be able to provide it for the record.

Mr. COUGHLIN. Thank you.

[The information follows:]

UMTA, at this time, has not recovered any costs associated with the reduced value of buses at the Massachusetts Bay Transit Authority (MBTA). However, this matter is still under discussion between UMTA and the MBTA and there is a possibility that there could yet be a recovery of some monies.

NEW YORK CITY TRANSIT AUTHORITY

Mr. COUGHLIN. Your audit of New York City Transit Authority's 63rd Street Tunnel and Archer Avenue projects revealed "serious shortcomings" in the New York Transit Authority's construction management practices on the two projects.

The shortcomings included inadequate concrete testing, no evidence of follow-up work when testing showed deficiencies in the concrete, and questionable structural integrity of a massive steel crossbeam in the 63th Street tunnel that had to be shaved down after a design error resulted in the beam being too low to permit passage of trains.

Have these immediate deficiencies been resolved yet?

Mr. GENOVESE Yes. The New York City Transit Authority contracted with an organization called Construction Technology Laboratories (CTL) to conduct a technical evaluation. The CTL evaluation dealt with the structural integrity, the quality control and the construction management. The contractor has concluded that the structural integrity of the tunnel is okay.

We are also reviewing the quality of concrete inspection on Archer Avenue. We are looking at the track welding and we are looking at the controls over the equipment. As far as past weaknesses are concerned, that we disclosed, the contractor has made some recommendations to the New York City Transit Authority.

Mr. COUGHLIN. This is the tunnel in New York City that is leaking.

Mr. GENOVESE. Yes, sir.

Mr. COUGHLIN. We have hundreds of millions of dollars invested there and the tunnel is leaking?

Mr. GENOVESE. Yes, sir.

Mr. COUGHLIN. It is not in use yet, is that correct?

Mr. GENOVESE. No, it is not. They are working on correcting the deficiencies and hopefully will get the project back on track.

Mr. COUGHLIN. Your semiannual report characterized the MTA's construction management practices as inadequate.

What steps have UMTA and MTA taken to assure that MTA's construction management practices are brought up to an acceptable level?

Mr. GENOVESE. Part of the contract work being done by CTL is to look at the construction management and make some recommendations as to how it can be improved. Some of the contracting people have also been hired to do construction oversight and management, which should correct some of the past problems.

TRANSIT OVERSIGHT

Mr. COUGHLIN. You also found that inadequate construction management practices at another transit property, specifically lack of an effective quality assurance program, resulted "in construction of guideway beams and supporting columns that fail required specifications. The structural deficiencies jeopardize service life and mantainability of the beams and columns".

It appears that inadequate construction and management practices seem to plague large and small transit operators alike. Is this indicative of poor guidance, or lack of guidance on UMTA's part, or are these just isolated incidences of poor management by a few transit operators?

Mr. GENOVESE. They are not isolated instances. We have had several audits that disclose similar problems in transit authorities.

It seems that there is an extreme lack of construction managment or oversight over the construction that is being done. In some cases, we found the transit authorities were not even monitoring their contractor that they had hired to review and inspect the work that was being done.

In other cases, UMTA has never had the capability or the staffing to provide a lot of oversight on these construction projects. But the transit authorities, themselves have failed to provide the necessary construction management.

We think that some of the action that is being taken by UMTA should correct this. They have several things that they are doing.

One of them is that in three or four situations they have already hired some contractors to provide the oversight. They also have a program that is being initiated called Projection Management Oversight. UMTA will have ten engineering firms at their disposal, which will provide them with the necessary oversight.

Mr. COUGHLIN. Do you feel that UMTA is doing enough to be able to eliminate this kind of problem in the future—or minimize it? Let me put it that way because you can never eliminate it.

Mr. GENOVESE. I think that the action that UMTA is taking should correct many problems.

Mr. COUGHLIN. Last year, Congress permitted UMTA to use one-half of one percent of its construction grant funds to contract for project management oversight. Do you believe that this mecha-

nism, which you just referred to, can be effective in dealing with UMTA's construction management problems?

Mr. GENOVESE. Yes, I think it is.

DISADVANTAGED BUSINESS ENTERPRISE (DBE)

Mr. COUGHLIN. It appears from your semiannual reports that you are continuing your efforts to detect questionable or illegal disadvantaged or women business enterprise firms.

How widespread are you finding the "false front" businesses to be and what is your estimate of the percentage of DBE/WBE's that are illegal?

Mr. GENOVESE. DBE front organizations appear to be a nationwide problem. We have 50 cases and they cover 25 States. At this time, we do not have enough evidence to make a projection as to how many of them are front organizations. We do have a lot of contractors, approximately 18,000. At this time, the fact that we have cases in 25 states, indicates to us that it is a nationwide problem.

Mr. COUGHLIN. Fifty cases in 25 states?

Mr. GENOVESE. Yes, sir.

Mr. COUGHLIN. What penalties are imposed on these false front businesses?

Mr. GENOVESE. Either suspension, debarment, decertification, or criminal prosecution.

Mr. COUGHLIN. Are these remedies sufficient or do you need stronger measures?

Mr. GENOVESE. We think that the sanctions will deter and are adequate at this time. Right now, the Department of Justice is developing some cases. We will be in a better position to judge after some indictments have been made.

Mr. COUGHLIN. I would just followup by saying, according to your most recent report, you are cooperating with the Department of Justice in an effort to determine whether crimes involving DBE's are of national significance. If this is the case, what can be done to identify and prosecute crimes in DBE programs?

What is the status of this effort?

Mr. GENOVESE. We are working with the Fraud Section of the Justice Department. The Fraud Section has notified all U.S. Attorneys throughout the country of the focus on this particular program and the initiatives to curb the abuses in the DBE areas. Right now, they are prosecuting several cases.

HAZARD ELIMINATION AND RAIL-HIGHWAY GRADE CROSSING PROGRAM

Mr. COUGHLIN. Based on the results of an audit in a Federal Highway Administration region, you recommended corrective actions to improve the effectiveness of the Hazard Elimination and the Rail-Highway Grade Crossing programs.

What were your specific recommendations to FHWA?

Mr. GENOVESE What we found in looking at Hazard Elimination and Rail-Highway Grade Crossings was that the projects with the low accident probabilities were being funded and high hazard locations were being ignored. What is needed is for the FHWA to require the states to identify and prioritize the way the money is spent.

The States are not using their authority to shift funds between one program and another. In other words in some cases, rather than spend the money on rail crossings, the State should spend it on hazard eliminations since there is evidence that in some of these places there are high accident probabilities.

Mr. COUGHLIN. Do you think that the FHWA should place greater limitations on the flexibility of the states and local areas in making project selection and prioritization decisions?

Mr. GENOVESE. Well, not really. We think that they should insist the states come up with a plan to identify and prioritize projects. And if anything, flexibilty should be increased. Right now, the states have the flexibility of transferring 40 percent between programs. We think that should probably be higher.

UNLIQUIDATED OBLIGATIONS

Mr. COUGHLIN. In another audit of a Federal Highway Administration region, you found approximately $355 million of obligated but idle funds. The FHWA agreed to strengthen its project monitoring and to address other financial management deficiencies. Are you satisfied in their progress in correcting the deficiencies that you have identified?

Mr. GENOVESE. We are not entirely satisfied. What they promised to do in that particular report is adequate and we are satisfied with that.

But the problem is that we have had this problem of unliquidated obligations for the last 4 or 5 years. We plan to start a nationwide audit on this to identify the root cause, because it keeps cropping up every year. But with that specific report that we are talking about, the corrective action that was initiated or taken is adequate.

Mr. COUGHLIN. Has the $355 million been reprogrammed or the projects implemented?

Mr. GENOVESE. A large portion of that has been. Once they went back and did further analysis as to whether they should or should not be deobligated the amount came down.

In some cases, we were finding extensive delays. Some projects were delayed as much as 10 or 14 years. We felt that the money should be deobligated. FHWA made decisions on some of those. I think that it was almost $100 million that was deobligated.

$1 MILLION BRIDGE

Mr. COUGHLIN. According to your semiannual report, one state highway administration constructed a bridge at a cost of $1 million which is still not in use after two years because there are no connecting roadways. How did this happen?

Mr. GENOVESE. The bridge was constructed in conjunction with the extension of a street that was supposed to give access to a proposed shopping center. This bridge and the extension of the street would give access to an interstate highway that was nearby.

The proposed shopping center never took place and therefore, the bridge was left there. We have been advised that the city has now requested in its budget to construct the connecting two lanes and therefore the project will continue.

But the bridge did stay unused for quite a while.

Mr. LEHMAN. In what city was this bridge that we are talking about located?

Mr. GENOVESE. It was in Kansas City.

Mr. COUGHLIN. Have steps been taken to recover the cost of the federal investment in this bridge?

Mr. GENOVESE. There would be no recovery costs, because they decided that the access road is going to be built and the original plans will continue.

Mr. COUGHLIN. I have in SEPTA something called the Blue Route that is a good example of an unconnected highway.

It was indicated in a GAO report that you were reviewing the bridges that SEPTA, the Southeastern Pennsylvania Transportation Authority, acquired with its commuter rail system in 1983.

I believe this review was still in process. Can you give me any indication of the status of your review and of your findings?

Mr. GENOVESE. That particular report has been issued in draft?

Mr. FURUKAWA. It is in the process of being finalized for comments. We have found that many of the bridges in SEPTA were not adequate to maintain the loads that were prescribed. There were structural deficiencies, and some of them were very old. We did engage some consulting engineers to give us a technical evaluation of some of the bridges, and they made certain recommendations in terms of shoring up the bridges, or reducing the speeds that the trains would use going over these bridges.

We did have some systemic management type recommendations.

Mr. COUGHLIN. Have you communicated this information to SEPTA?

Mr. FURUKAWA. Not in a formal report as yet.

It has been discussed as the audit progressed.

Mr. GENOVESE. The audit is still in a draft stage.

Mr. COUGHLIN. There are serious safety problems with these bridges.

Mr. FURUKAWA. Well, I do not think that they were serious to the point that there was danger of imminent collapse. The thing is on the ones that we were most concerned about, we did recommend that they reduce the speed of the trains going over the bridges, and they agreed and have implemented that.

Mr. COUGHLIN. The recommendation has been made and implemented?

Mr. FURUKAWA. Yes, on an interim basis, yes.

Mr. COUGHLIN. And when do you expect this report to be out?

Mr. FURUKAWA. I would estimate within the next two or three weeks, it is being finalized right now.

Mr. COUGHLIN. I would certainly like to get a copy of that at the earliest possible date when it comes out.

Mr. GENOVESE. Mr. Congressman that would be in the draft stage and therefore, from the draft stage to the final report, will take a little bit longer time, but we can certainly make all the information available to you.

EXECUTIVE DIRECTOR, PORT AUTHORITY, NY, NJ

Mr. COUGHLIN. Thank you, I would appreciate it.

Mr. Berger, the Chairman of the United States Railway Association, was recently appointed Executive Director of the Port Authority of New York and New Jersey. At the request of Congressman Michael Oxley, you have initiated a review of Mr. Berger's association with the Port Authority and former association with other organizations that Congressman Oxley contends compromises Mr. Berger's impartiality in connection with the sale of Conrail.

Do you believe that you have the authority to review the actions of the USRA and if so, what is the status of your review?

Mr. GENOVESE. Yes. We certainly think that we have the authority to review the USRA since the Department guarantees USRA obligations. We have the responsibility to take a look at USRA activities when necessary.

Also, since the Secretary is a Board Member, she would be able to request it so that there is no question that we have the authority to take a look at the situation.

The report is near completion and should be out very shortly. I am not in a position to indicate what the final conclusions will be but it will be out shortly.

ST. LAWRENCE SEAWAY

Mr. COUGHLIN. The St. Lawrence Seaway Development Corporation has been the subject of two recent Inspector General audits. One deals with the Seaway's lease of a passenger aircraft from Page Avjet Corporation, and the other with the Seaway's renovation of a facility leased from the Coast Guard at Cape Vincent, New York.

In the case of the first audit, you found the aircraft lease arrangement was entered into in violation of applicable federal procurement statutes and regulations. The agreement was declared null and void.

In the case of the second audit, you found that the Seaway spent almost $120,000 for renovation of the Cape Vincent facility without adequate justification.

In addition to spending this money, the Seaway also incurred representation expenses that were not properly recorded, that exceeded statutory limitations and were specifically prohibited as representation expenses. This resulted in an anti-deficiency violation in the amount of $5,213.

Could you summarize your findings from these two audits, and also how did the violations take place without Seaway management knowing about them?

Mr. GENOVESE. Well, in all of these cases, the normal procurement procedures were not followed. Management short cut the procedures. With respect to the facility that was being renovated for $120,000, our major finding in that situation was that we felt that there was not sufficient justification to spend that much money to renovate a facility that would be seldom used. The usage of that facility is now being looked at and monitored. After a certain period of time, if it is found that it is not cost effective it probably will be declared excess.

With respect to the leased aircraft, there were certain very important clauses that were omitted, and the required procedures

were not followed. And again, in this case, it happened through miscommunication or through shortcutting the procedures.

As far as the anti-deficiency violation was concerned, management was aware of that situation. What happened was that they charged certain costs which they believed were marketing costs, to the marketing account. When we reviewed it, we felt that those costs were representation costs. As a result, they spent more representation funds than they were allotted which was $3,000. The conclusion was that it resulted in an anti-deficiency violation.

Mr. COUGHLIN. Has the Seaway Corporation's response to your review and recommendations been satisfactory? What do you feel about the overall management of the Seaway?

Mr. GENOVESE. They rescinded the lease. The anti-deficiency violation is being processed and the usage of the facility is being looked at.

At this point, the action is satisfactory.

Mr. COUGHLIN. Do you feel that there is some fundamental weakness of the Seaway Development Corporation that would permit all of this to happen?

Mr. GENOVESE. I believe in these two or three cases the internal controls needed to be strengthened and established procedures needed to be followed. I think that the Seaway understands that.

COSTS QUESTIONED

Mr. COUGHLIN. A GAO report on questioned costs on August 8, 1984, a General Accounting Office report to the Chairman of the Legislation and National Security Subcommittee of the House of Representatives' Committee on Government Operations, addresses the disparity between costs questioned by auditors and the amounts program managers eventually disallow.

Based on their analysis of a sample of audits performed by six federal agencies, DOT fared the worst. Only 11 percent of questioned costs were eventually disallowed, as compared to 73 percent at HHS, on one end of the scale and 16 percent at the Departments of Education and Agriculture. Can you explain why the percentage of disallowed costs is so low at DOT? Does this mean that you cannot make a good case for your questioned costs, or aren't the operating administrations and the Office of the Secretary cooperating with your office?

Mr. GENOVESE. Unfortunately GAO selected 1981 and 1982 as their base years, which was when the OIG first started. We had just begun to develop all of our procedures and all of the procedures were not really in place. But that is not the main problem with what GAO has said.

The main problem with the GAO report is that they used a definition that did not agree with the definition that the IG's or the Office of Management and Budget were using, as to what is a disallowed cost and when is it recovered. GAO included in their figures, costs that we had identified or categorized as unsupported at the time of the audit. In other words, if a subcontract had not been audited we would set it aside and call it unsupported.

In GAO's analysis, they included all of those costs as being questionable. That is the reason for the low percentage. Our percent-

ages for those years, using the correct definition as to what is a questioned cost and what is a recovery, amounted to 52 percent for 1981, 46 percent for 1983, 75 percent for 1984, and 74 percent for 1985.

We are very satisfied with the recovery rate that we are getting. The difference with GAO is a matter of definition. All the IG's took some issue with the definition that was being used, including the Office of Management and Budget.

Mr. LEHMAN. Mr. Coughlin, I just have a comment I would like to make. The GAO audited all of the IG's on the same basis. They did not use a different yardstick for DOT than they did for the Department of Agriculture or HHS, or the others, I would imagine.

Mr. GENOVESE. Yes, Mr. Chairman, but to my knowledge, the other IG's did not have a category called, "unsupported costs" which were primarily those costs that at the time of the IG review, had not been audited as a subcontract. When you included those costs, as questionable, our figure would be lower.

Mr. LEHMAN. On page 2 of your statement you say that you saved about $911 million which is about, as you say, 34 times your budget. How much of that $911 million is hard money, and how much of it is preventive costs?

What costs you prevent are not the same kind of dollars that you have when you recover money from fines, or penalties, or any other such type of money.

Mr. GENOVESE. The measurables do include a lot of cost avoidances. As far as hard savings, as to how much comes back to the Treasury, in most cases, our programs rather than coming back to the Treasury, is an offset against grants or payments. We had $34 million of costs questioned savings in fiscal year 1985. You could consider that a hard figure, because it comes back.

Mr. LEHMAN. Could you, for the record, break down the details of this $911 million savings?

Mr. GENOVESE. We can do that.

Mr. LEHMAN. Thank you.

[The information follows:]

1. The recovery of the $34 million of costs questioned savings occurred in the following manner.

	Percent
Cash Collected	8
Accounts Receivable Established	13
Offsets Against Grants or Payments	66
Recovery In Process	7
No Recovery Action	6

2. The recovery of the $865 million of other dollar benefit savings occurred in the following manner.

	Percent
Funds Recovered	0
Funds Reprogrammed	19
Costs Avoided	39
Recovery In Process	27
No Recovery Action	15

3. The recovery of the $12 million of investigation savings occurred in the following manner.

	Million
Fines	$3
Judgments	2
Administrative Recoveries	7

Mr. LEHMAN. Mr. Coughlin.

FAA SAFETY INSPECTIONS

Mr. COUGHLIN. Thank you, Mr. Chairman.

According to an article in the February 25, 1986 *Washington Post,* FAA officials rewrote reports on three safety investigations of Continental Airlines to exclude or alter the inspector's criticism and delayed corrective action.

By doing this, the FAA reduced the severity of violations in such areas as pilot training that could have resulted in heavy fines and grounded pilots.

Are you assisting the FBI in its investigation of these allegations, and have you found any evidence of this type of activity in your reviews of FAA safety inspections?

Mr. GENOVESE. We are aware of it and we have coordinated with the FBI. It is primarily an FBI investigation. We are awaiting the conclusion of their investigation.

We are not directly involved in that investigation at this time.

Mr. COUGHLIN. You are not prepared to recommend corrective actions?

Mr. GENOVESE. Not in that particular case, no.

EXCESSIVE COSTS

Mr. COUGHLIN. For how long has the Department of Transportation had an Inspector General's Office?

Mr. GENOVESE. Since the Act in 1979. I think that the first one was appointed in 1979.

Mr. COUGHLIN. When did the Department of Defense get an Inspector General?

Mr. GENOVESE. I believe that it was probably five years ago. They came a little after the other departments.

Mr. COUGHLIN. We have to rely on you to protect us from being cartooned with toilet seats around our necks. You are not aware of that sort of thing in the Department of Transportation—$1,000 toilet seats and $400 hammers and such?

Mr. GENOVESE. No, sir. We have had some instances of costs that were excessive but nothing in the category that you are talking about.

Mr. COUGHLIN. You feel that you have a fairly good grip on that situation?

Mr. GENOVESE. We think, that our review of the supply operations and all the corrective actions have been taken should correct that.

The Secretary has issued guidance and new procurement regulations to prevent that type of a situation.

Mr. COUGHLIN. Mr. Chairman, do you want me to proceed?

Mr. LEHMAN. I will take over.

Thank you very much, Mr. Coughlin.

Mr. LEHMAN. Please provide a summary table for fiscal year 1985 similar to the one on page 208 of last year's hearing record that shows the resolution action by agency of the internal audit reports issued in fiscal year 1985.

[The information follows:]

In response to your request we are providing the following summary table which shows the resolution action, by agency on the 293 internal audit reports issued in fiscal year 1985.

In addition we have updated the summary table for the fiscal year 1984 internal audit reports.

FISCAL YEAR 1985 INTERNAL AUDIT REPORTS AND THEIR RESOLUTION AS OF MARCH 10, 1986

[Dollars in thousands]

Agency	Number of Reports	Other Dollar Benefit Findings			
		Recommended Amounts	Resolved Amounts		Unresolved Amounts [1]
			Saved	Closed	
FAA	63	$150,137	$140,350	$69	$9,718
FHWA	62	478,409	439,538	38,021	850
FRA	9	4,620	0	0	4,620
MARAD	5	8,076	176	0	7,900
NHTSA	7	2,211	2,211	0	0
OST	23	9,164	7,869	1,295	0
RSPA	3	622	413	0	209
SLSDC	3	16	16	0	0
UMTA	42	245,749	201,012	44,737	0
USCG	76	61,286	27,889	9,972	23,425
Total	293	960,290	819,474	94,094	46,722

[1] The unresolved amounts are contained in 13 reports which are unresolved as of March 10, 1986.

FISCAL YEAR 1984 INTERNAL AUDIT REPORTS AND THEIR RESOLUTION AS OF MARCH 10, 1986

[Dollars in thousands]

Agency	Number of Reports	Other Dollar Benefit Findings			
		Recommended Amounts	Resolved Amounts		Unresolved Amounts
			Saved	Closed	
FAA	53	$156,161	$133,737	$22,424	0
FHWA	48	290,347	269,097	21,250	0
FRA	1	0	0	0	0
MARAD	11	2,445	2,445	0	0
NHTSA	9	598	598	0	0
OST	4	588	304	284	0
RSPA	2	0	0	0	0
UMTA	36	132,536	99,728	32,808	0
USCG	60	169,217	48,412	120,805	0
Total	224	751,892	554,321	197,571	0

HOTLINE

Mr. LEHMAN. Please update the table on page 210 of last year's hearing record that shows the significant savings produced by investigations of hotline complaints.

[The information follows:]

Significant savings by fiscal years

1983	[1] $9,003,384
1984	[2] 121,500
1985	[3] 4,627

[1] $9 million was saved by one complaint.
[2] Four Hotlines: $102,000; $15,000; $3,000; and $1,500.
[3] Six Hotlines: $1,781.92; $1,000.00; $729.46; $566.04; $300.00; and $250.00.

FRAUD DETECTION AND PREVENTION SURVEYS

Mr. LEHMAN. Please provide a list of the fraud prevention and detection surveys completed in fiscal year 1985, the average amount of time needed to complete such a survey, the number of staff years allocated to each review, and corrective actions identified.

[The information follows:]

For FY 1985, we issued 5 fraud prevention and detection survey reports as follows:

R5-CG-5-027, Leased Housing and Basic Allowance for Quarters Payments—USCG Ninth District. The primary objectives of this review were (i) determine whether the District's internal control system was adequate to detect fraudulent or other improper payments and (ii) identify any fraudulent activities which may already have occurred. We found that the Ninth District needed to establish procedures requiring independent comparisons of authorized housing lease amounts to actual lease agreements and periodic comparisons of personnel receiving Bachelor Officer Quarters payments to individual government housing assignment records. A possible conflict of interest was identified in which a former Ninth District employee had negotiated a lease on property owned by him. This matter was referred to the Ninth District Intelligence office for further investigation.

Staffyears charged to review, .2.

AV-FA-5-003, Survey of Helicopter Registration, FAA. The objectives of this review were to determine if (i) helicopter owners had committed fraud by falsifying information on the registration of helicopters that had been destroyed in an accident and (ii) Federal Aviation Regulations (FARS) were violated by individuals in returning destroyed helicopters to service. We determined that FAA needed to (i) establish procedures at the Mike Monroney Aeronautical Center to identify nationwide possible violators of regulations on rebuilding destroyed helicopters; (ii) establish procedures at general aviation district offices requiring contacting the owner and/or repair station or mechanic upon receipt of the Aeronautical Center's notification of possible helicopter registration work and to identify and take action against parties who are violating the FARs; (iii) issue an advisory circular to clarify the type and extent of work authorized by regulation in restoring helicopters, prohibit the use of maintenance activities when describing restoration work, and require all parties involved in helicopter restorations to prepare FAA Form 337; and (iv) review the practices of selected firms and individuals in utilizing surplus helicopter parts acquired from the Department of Defense.

Staffyears charged to review, .6.

AS-OT-5-027, Survey of Headquarters Imprest Funds in the Office of the Secretary of Transportation. This survey had as its objective to review the adequacy of the internal controls over Headquarters imprest fund activities. We found a need for the Office of the Secretary (OST) to take action to assure that imprest fund cashiers (i) maintain current lists of and signatures of officials authorized to approve payments from the imprest fund, (ii) settle cash advances for small purchases within 5 working days, (iii) pay claims based on only original receipts, (iv) require all persons to identify themselves before being admitted to the cashiers cage, (v) assure that the lock combination is changed in the imprest fund safe at the Transpoint Building, (vi) establish a system to account for all monthly vehicle parking stickers, and (vii) reemphasize to the imprest fund cashiers the need to prepare accurate daily sales reconciliation sheets.

Staffyears charged to review, .5.

The Disadvantaged Business Enterprise (DBE) program monitored by the Georgia Department of Transportation (DOT). The survey examined contracts involving five prime contractors who regularly used eight DBEs. Three of the eight DBE firms were referred for prosecution for submission of fraudulent documents. Two firms were subsequently decertified. Additionally, Georgia DOT division offices were re-

quired to carefully review data presented on Federal Highway Administration forms for completeness and accuracy for certifying and monitoring DBE firms.

Staffyears charged to review, .5.

Maintenance and Repair Costs Program in the Maritime Administration (MARAD). The survey focused on maintenance and repair contracts awarded by a large steamship company to four major contractors receiving maintenance and repair contracts from the steamship company. The survey found no evidence of price fixing; however, program recommendations were made as follows: (i) consider asking for competitive bid on contracts over $100,000 and (ii) the steamship company should add an access clause to its standard contracts, allowing a spot check of contractor records and charges.

Staffyears charged to review, .5.

Total staffyears charged to FPDS for FY 1985, 2.3.

STAFFING

Mr. LEHMAN. Please update the staffing table on page 211 of last year's hearing record.

[The information follows:]

	Authorized		Onboard	
	Feb. 25, 1985	Feb. 25, 1986	Feb. 25, 1985	Feb. 25, 1986
Auditors	346	341	338	315
Investigators	62	62	62	59
Other professionals	18	20	17	20
Clerical	48	48	44	47
Total	474	471	461	441

Mr. LEHMAN. Also provide an update of the second staffing table on page 211 for fiscal years 1985, 1986 and 1987.

[The information follows:]

	Positions [1]			In thousands of dollars		
	1985	1986	1987	1985	1986	1987
Investigators:						
Headquarters	19	19	19	1,067	1,064	1,141
Field	43	43	43	2,415	2,409	2,586
Total	62	62	62	3,482	3,473	3,727
Auditors:						
Headquarters	117	112	100	6,577	6,280	6,017
Field	229	229	229	12,873	12,840	13,782
Total	346	341	329	19,450	19,120	19,799

[1] 1986 and 1987 based on estimates.

Mr. LEHMAN. Please update the chart on page 211 of last year's hearing record that breaks down your work by self-initiated, Congressional requests, hotline tips, and management referrals.

[The information follows:]

The following chart provides a percentage breakdown of our work by the source of initiation.

	Self-initiated	Congressional requests	Hotline tips	Management referrals	Total (percent)
Audits	89	2	2	7	100
Investigations	70	0	5	25	100

Mr. LEHMAN. Provide for the record an update of the tables on page 212 of last year's hearings that compare your work and the size of the program you audit.

[The information follows:]

FISCAL YEAR 1985

[In millions of dollars]

Agency	Size of program [1]	Costs questioned	Other dollar benefits	Dollars sustained
FAA	5,369	4.3	157.7	148.8
FHWA	15,029	21.3	478.5	451.9
FRA	815	.9	4.6	.4
MARAD	549	3.5	8.1	1.5
NHTSA	259	0	2.2	2.2
OST	98	.3	9.1	8.2
RSPA	20	0	.6	0
UMTA	4,132	25.6	263.7	240.5
USCG	2,592	1.2	61.3	28.1
SLSDC	0	0	0	0
Outside agencies	0	.2	0	0
Total	28,863	[2] 57.3	985.8	[3] 881.6

[1] From 1987 Budget in Brief (DOT).

[2] Not included are $348 million for fiscal year 1985 of costs questioned in proposal reviews and overhead studies. Since these reports are provided to management and are used in contract negotiations, they are considered resolved when issued and not included in measurable audit savings.

[3] These figures are through Mar. 1, 1986 and do not include the resolution results of 27 fiscal year 1985 reports unresolved at this date.

FISCAL YEAR 1984

[In millions of dollars]

Agency	Size of program [1]	Costs questioned	Other dollar benefits	Dollars sustained
FAA	4,065	9.5	156.2	142.2
FHWA	13,259	16.0	290.4	283.1
FRA	1,062	1.0	0	0
MARAD	479	6.2	2.6	6.2
NHTSA	186	.8	.6	.7
OST	80	0	.6	.6
RSPA	13	0	0	0
UMTA	4,521	23.6	142.1	132.2
USCG	2,537	0	169.2	48.4
SLSDC	8	0	0	0
DOT-wide [2]	0	0	0	0
Outside agencies	0	.4	0	0
Total	26,210	[3] 57.5	761.7	[4] 613.4

[1] From 1986 Budget in Brief (DOT).

[2] This category represents reports issued to more than one administration.

[3] Not included are $290.6 million for fiscal year 1984 of costs questioned in proposal reviews and overhead studies. Since these reports are provided to management and are used in contract negotiations, they are considered resolved when issued and not included in measurable audit savings.

[4] These figures have been updated based on the results from 33 reports issued in fiscal year 1984 which were unresolved as of Mar. 1, 1985, but have since been resolved.

BUDGET REQUEST

Mr. LEHMAN. Your budget request for fiscal year 1987 is $27.6 million, $1.2 million or 4.6 percent higher than the fiscal year 1986 level after sequestration. What effect would a continuation of the fiscal year 1986 level, after sequestration, have on your audit and investigative activities?

Where would you make adjustments for fiscal year 1987 to meet this level?

Mr. GENOVESE. Without the restoration we cannot continue the present level of audit and investigative activity. We have reduced support activities for 1986, but we cannot continue with that level over the long run. The SLUC and within grade expenses are going to increase in 1987. Without restoration there would have to be a cut in personnel and the amount of effort that is going to be put into audits and investigations.

EAS PROGRAM

Mr. LEHMAN. We might lose a lot of more money in the long run than we would save.

Your proposed fiscal year 1987 budget reflects termination of the essential air service program. If Congress does not agree to early termination of the EAS program, where will you absorb the additional costs? In your fiscal year 1986 budget justification the savings associated with the last year's proposed termination of the EAS program were $310,000. In this year's justification you show a savings of $167,000. Can you explain the decrease—has the audit function been cut in half?

Mr. GENOVESE. Well, if the EAS positions are eliminated and the function continued, we would have to reassess the priorities and decide where we would place our resources. The main difference between the $310,000 figure, and the $167,000 figure is that the $310,000 figure assumed a drop of 7 full-time employees. The new projection of $167,000 assumes the reduction of four FTE's in 1987 and the balance in 1988.

If the program is terminated at the beginning of 1987, there would be close out auditing to perform and therefore, for 1987 we would not be eliminating all the positions.

OBLIGATED BALANCE

Mr. LEHMAN. On page 3 your balance carried forward decreases from $8.13 million to $3.68 million in fiscal year 1986, and increases again in 1987 to $4.38 million.

Also, the $8.13 million in fiscal year 1985 was significantly higher than in prior years, and during last year's hearing, Mr. Welsch said he was checking on the reason for the large increase. Why did the obligated balance carried forward increase so much in fiscal year 1985, why does it decrease again in fiscal year 1986 to prior year levels and then increase again by 19 percent for fiscal year 1987?

Mr. GENOVESE. The large 1985 balance resulted from many obligations recorded on the Accounting records which should not have

been recorded. We worked together with the accounting office and corrected many of the problems.

We found that there were some obligations carried erroneously after liquidatation, some had expired and should not have been carried and in other cases, they should have never been recorded.

That has had an impact on the subsequent balance.

Mr. LEHMAN. Can you explain why the adjustments in expired accounts increases from $470,000 in fiscal year 1984 to $3.9 million in fiscal year 1985—a 730 percent increase?

Mr. GENOVESE. This is a result of the same problem.

OTHER PERSONNEL COMPENSATION

Mr. LEHMAN. Please provide for the record a breakdown of "other personnel compensation" for fiscal years 1984, 1985, 1986, and 1987.

Please explain why this expenditure more than triples for 1985, is seven times higher in fiscal year 1986, and then decreases in fiscal year 1987 again to triple the 1984 level?

[The information follows:]

OTHER PERSONNEL COMPENSATION

[In thousands of dollars]

	1984	1985	1986	1987
Bonus & Awards	$35	$157	$300	$150
Overtime	12	23	30	30
Total	47	180	330	180

The increase in Other Personnel Compensation is attributable to the implementation of the Performance Management and Recognition System (a result of Public Law 98–615). This system established performance awards in addition to the merit pay payout which had been in effect previously. The larger increase in 1986 is to provide for the two payouts scheduled for 1986 instead of the customary one.

TRAVEL

Mr. LEHMAN. For fiscal year 1987 you show a $50,000 decrease in travel and transportation of persons. Will this decrease have any adverse effects on the ability to carry out your audit and investigative activities?

Mr. GENOVESE. That decrease is primarily the result of the essential air service phase-down and we see no problem with that.

SLUC

Mr. LEHMAN. On page 6 you show a 3.7 percent increase in standard level user charges from fiscal year 1985 to fiscal year 1986 and a 25.5 percent increase from fiscal year 1986 to fiscal year 1987.

What is the reason for these increases, particularly the large increase you show for fiscal year 1987?

Mr. GENOVESE. The reason for this increase is the charge for office space in Washington increased from $15 to $23.

Mr. LEHMAN. On page 220 of last year's hearing record is a table showing a breakdown of the Office of the Inspector General space by square footage per employee and average cost per square footage. Please provide for the record an update of this table by adding the same information for fiscal year 1987.

[The information follows:]

OIG OFFICE SPACE

	Headquarters	Field
Fiscal year 1984:		
Square footage per employee	229	164
Average cost per square footage	$15.03	$15.00
Fiscal year 1985:		
Square footage per employee	195	156
Average cost per square footage	$15.03	$14.55
Fiscal year 1986:		
Square footage per employee	195	155
Average cost per square footage	$15.03	$14.66
Fiscal year 1987:		
Square footage per employee	195	152
Average cost per square footage	$22.95	$14.75

OTHER SERVICES

Mr. LEHMAN. Please update the list on page 221 of last year's hearing record that shows the breakdown of "other services" for fiscal years 1985 and 1986 giving an update for 1986 and your proposal for 1987.

[The information follows:]

OTHER SERVICES

[In thousands of dollars]

	1986	1987
Training	$250	$250
WCF charges	600	634
Security investigations	50	60
Equipment maintenance	110	112
Building repair	20	20
Storage of household goods	20	25
DCAA	1,351	1,426
DHHS	130	130
Other contractual service	61	60
Reimbursable agreements	250	250
IPAs	350	300
Total	3,192	3,267

CONTRACTS

Mr. LEHMAN. Last year you provided for the record a list of the larger contracts let in fiscal year 1985 and 1986. Please update, for the record, the 1986 list and show what is proposed for fiscal year 1987.

[The information follows:]

Contracts: contractor and purpose

	Amount
Leases 1986:	
Canon—copier	$3,720
Dylakor—software	5,884
Northern Telecom—high speed printer	6,444
Royal Business—copiers	15,435
Minolta—copier	4,076
Maintenance 1986:	
Digital—DECmate video processors	17,581
GRiD—computers	19,204
IBM—copier	1,332
Hewlett Packard—plotter	1,000
Northern Telecom	2,736
Savin—copiers	6,810
Telex—word processor and printer	1,068

Similar contracts are proposed for FY 1987.

EQUIPMENT

Mr. LEHMAN. Please update the list on page 222 of last year's hearing record that shows equipment purchases giving an update for 1986 and your 1987 estimates.

[The information follows:]

EQUIPMENT

	1985	1986	1987
Computer and word processing	$533,528	$55,000	$152,000
Miscellaneous office equipment	13,916	5,000	10,000
Furniture	38,593	10,000	15,000
Total	586,037	70,000	177,000

IN-HOUSE EXPERTS

Mr. LEHMAN. In your budget justification you indicate that you have had success with using in-house experts from the DOT modal administrations on a short-term basis. How many staff years were contributed by the personnel on detail to your office?

Would increased use of in-house experts permit you to cut back on your consulting contracts?

Wouldn't these in-house people be biased toward protecting their own particular modal agency?

Mr. GENOVESE. That was one of the answers to the question, Mr. Chairman. I was going to tell you that during the past year, we have used eight weeks of in-house engineer detail. We had an individual on detail for a year. He has since joined our staff. We have had outstanding results with this engineering support.

We are constantly trying to consider in-house capability but we do have the problem of independence in many cases. Also, the short notice that would be required in asking for an engineer to come and help us on an audit has also been a problem. We are continually considering in-house personnel over contract personnel, but in the past we have not had significant success.

PCIE WEATHER SYSTEMS PROJECT

Mr. LEHMAN. According to your budget justification, you have completed field work on a joint President's Council on Integrity and Efficiency (PCIE) project that involves evaluation of existing and proposed federal weather systems including the Next Generation Radar (NEXRAD).

Please summarize the results of your field work. Also for the record, please provide a copy of the matrix comparing proposed capabilities and functions of duplicative federal weather systems referred to on page 15 of your budget justification.

Mr. GENOVESE. We will do that, Mr. Chairman.

The President's Council on Integrity and Efficiency is a Council made up of all the statutory IG's.

For this particular project, the Department of Transportation, the Department of Commerce, and the Department of Defense selected existing and proposed weather systems for review.

We are focused primarily on two systems; one is the Central Weather Processor, and the other one is the Automated Weather Observation System, both FAA projects.

At the time the PCIE project was initiated the Department of Commerce had also established a blue-ribbon panel to look at NEXRAD. Therefore, our involvement with the NEXRAD project is one of seeing what this blue-ribbon committee is going to come up with.

We drafted reports on the two FAA systems. The CWP, which is a prototype, is designed to improve the quality and timeliness of weather information to National Airspace System users. We are concerned with the CWP project, because the requirements for interfacing with the NEXRAD, which is the Next Generation Radar, have not been defined. This interface is very important with respect to the effectiveness of the CWP.

The CWP, the Central Weather Processor does duplicate or appears to duplicate many of the features of the Weather Service system. Our recommendation is that FAA should coordinate with the Department of Commerce on this project rather than develop its own prototype. FAA should really only develop those areas that are unique to FAA.

The second audit is the Automated Weather Observation System. This is a system which replaces the manual sensors with automated sensors which measure the atmospheric conditions. As with the CWP, the Weather Service also has a similar project along these lines.

We recommended that these projects be developed jointly with the Department of Commerce.

[Additional information requested follows:]

EXHIBIT A

Comparison of CWP and Current NOAA Systems

DATA SOURCES	FAA CWP	NOAA SYSTEMS
A. Numerical Guidance		
1. National Meteorological Center (NMC)	X	X
2. National Severe Storms (NSSFC)	X	X
3. National Hurricane Center (NHC)	X	X
4. River Forecast Centers (RFC)		X
B. Observations		
1. Surface	X	X
2. Upper Air	X	X
3. Ship Reports & Bouys		X
C. Graphics		
1. Automated Field Ops. and Svcs.(AFOS)	X	X
2. National Meteorological Center (NMC)	X	X
D. Satellite		
1. Geostationary (GOES)	X	X
2. Polar Orbiter (TIROS-N)	X	X
E. Radar		
1. Radar Remote Weather Display (RRWDS)	X	X
2. Airport Weather (Future ASR-9)	X	
3. NEXRAD (Future)	X	X

EXHIBIT B
Page 1 of 2

Comparison of AWOS and ASOS
and Output Products

WEATHER SENSORS	OUTPUT PRODUCTS	AWOS	ASOS
(1) WIND SPEED AND WIND DIRECTION	*PEAK WIND	X	X
	WIND SPEED	X	X
	*WIND SHIFT	X	X
	WIND GUST	X	X
	*VARIABLE DIRECTION	X	X
	WIND DIRECTION	X	X
	SQUALL		X
(2) TEMPERATURE	TEMPERATURE	X	X
	*MAX/MIN TEMPERATURE	X	X
(3) DEWPOINT	DEWPOINT	X	X
	*RELATIVE HUMIDITY	X	X
(4) PRESSURE	*STATION PRESSURE	X	X
	ALTIMETER SETTING	X	X
	*PRESSURE UNSTEADY	X	X
	*PRESSURE RAPIDLY	X	X
	*SEA-LEVEL PRESSURE	X	X
	*PRESSURE JUMP	X	X
	*PRESSURE TENDENCY	X	X
(5) PRECIPITATION TYPE AND ACCUMULATION	*LIQUID PRECIPITATION	X	X
	*FROZEN PRECIPITATION	X	X
	*HAIL	X	X
	*MIXED STATES	X	X
	*OBSTRUCTION TO VISION	X	X
	*PRECIPITATION ACCUMULATION	X	X

WEATHER SENSORS	OUTPUT PRODUCTS	AWOS	ASOS
(6) VISIBILITY	PREVAILING	X	X
	VARIABLE	X	X
	*SECTOR	X	X
	*VERTICAL	X	X
	OBSCURATION		X
(7) CLOUD HEIGHT	CLOUD LAYER HEIGHT	X	X
	CLOUD AMOUNT	X	X
	REMOTE CEILING	X	X
	CEILING LAYER HEIGHT	X	X
	VARIABLE CEILING	X	X
	VARIABLE CLOUD AMOUNT	X	X
(8) THUNDERSTORM	LIGHTNING STRIKES	X	X
(9) SUNSHINE DURATION	MINUTES OF SUN	X	X
(10) SNOW DEPTH	*SNOW DEPTH INCREASE	X	X
	WATER EQUIVALENT	X	X
	TOTAL DEPTH	X	X

* Products will be acquired from FAA's AWOS Data Acquisition System (ADAS)--FAA's interface between AWOS and ASOS.

Mr. LEHMAN. What has been the response of FAA to your recommendation that they work with the Department of Commerce on this?

Are they forthcoming in trying to work with the Department of Commerce on these projects and to prevent duplication?

Mr. GENOVESE. As a result of our review, there has been extensive coordination with the Weather Service.

FAA does not concur that the prototype, itself, should not be developed. I would like to add, Mr. Chairman, that we are still in a draft stage on these two reports, and therefore, the conclusions so far are tentative. We will have to see what the results of the final audit will be.

INSPECTION PROGRAM

Mr. LEHMAN. On page 16 of your budget justification you briefly discuss a pilot inspection program you intend to implement in 1986. For the record, please provide additional details of this program and indicate what criteria you intend to use to measure whether or not the pilot tests are successful.

[The information follows:]

The objective of OIG's new Inspection Program is to provide broader audit coverage of selected Departmental programs without expanding the need for additional OIG resources. This objective will be achieved through the use of quick intensified reviews conducted by a relatively small but experienced audit team operating under tight time constraints. These reviews are designed to provide management with an assessment of an activity/facility and to identify areas of fraud, waste and mismanagement. The inspections will focus on both administrative and program areas and may cover such items as cash management, travel vouchers, small procurements, attendance level, use of government vehicles, staff utilization, accomplishment of workload, and the productivity of resources. Emphasis will also be placed on evaluating the adequacy of internal controls and whether management is in compliance with organizational directives. In FY 1986, pilot inspections have been initiated. The success of those pilot inspections will determine the extent to which the program is expanded in FY 1987. The program will be considered successful if these inspections provide increased audit coverage without reducing the quality or professional way audit activity is conducted in the DOT.

AUDIT WORKLOAD

Mr. LEHMAN. On page 18 of your justification is a table showing audit workload distribution by administration and by category. The subtotals for all of DOT by category show an overall decrease in three audit categories—only the "hotline surveys and inspections" category shows an increase. Can you explain this?

Mr. GENOVESE. Mr. Chairman, as I indicated in the opening statement, we are starting a pilot inspection program. This program will enable us to do a quick and intensive review of selected activities in DOT that have not been looked at in the past.

The difference in the workload that you are addressing is a result of the inspection program. As far as the decreases in some of the other areas, this is attributable to the cyclical nature of our work. Maybe one Administration has gotten a little bit more attention than another and this year, perhaps, it is going the other way.

Mr. LEHMAN. Is the hotline a whistle blower sort of system?

Mr. GENOVESE. Yes. The hotline is the mechanism where people can call in and inform us of allegations concerning misuse of gov-

ernment funds or property. In that category we have also added the inspection program.

NHTSA WORKLOAD

Mr. LEHMAN. Please explain why you intend to reduce the staff workload you plan to dedicate to NHTSA headquarters and field program audits by almost 30 percent between 1985 and 1987.

Mr. GENOVESE. I think for the next couple of years in looking at all the priorities and looking at all the workload and looking as to what has been done, in all of these Administrations, NHTSA is not getting the attention that perhaps it did two or three years ago. The basic planning strategy that we use each year, is to identify priorities, new programs and concerns to the Congress, concerns to the Secretary and therefore, it is not an entirely scientific base, when we come up with a certain percentage as to where resources are going to go.

Mr. LEHMAN. Can you please describe the process by which you allocate your staff resources among the various modal administrations?

You mentioned that the Federal Highway Administration and bid rigging is where most of the dollar savings are. What portion of your staff and resources do you apply to the Federal Highway Administration, for instance? Or would you care to provide that for the record?

Mr. GENOVESE. I can give you the high one, 62 positions would go to the Highway program.

That is 20 percent of our total direct time.

Mr. LEHMAN. Allocated to the Federal Highway Administration?

Mr. GENOVESE. Yes.

Mr. LEHMAN. About half of the Transportation budget is in highways, and——

Mr. GENOVESE. I think that we can explain that, Mr. Chairman. The highway money goes in blocks to states. The Coast Guard money and the FAA money is spent differently. There are more people involved in the FAA and the Coast Guard. People normally generate weaknesses. I think that is some of the rationale for why, perhaps, proportionately some of the other administrations may get a little bit more attention than others.

Mr. LEHMAN. For the record, explain the allocation of your resources and personnel to the various agencies of the Department of Transportation.

[The information follows:]

We follow OMB Circular A-73 in the allocation of OIG resources and personnel to the various operating administrations in the Department of Transportation. This circular prescribes the following criteria to be considered in establishing audit priorities.

a. Newness, changed conditions, or sensitivity of the organization, program, activity, or function;

b. Its dollar magnitude and duration;

c. Extent of Federal participation either in terms of resources or regulatory authority;

d. The susceptability of a program or activity to waste, fraud and abuse after carefully considering this criteria, allocations to the operating administrations were made by OIG's Audit Planning Committee which is comprised of OIG management personnel;

e. Management needs to be met, as developed in consultation with the responsible program officials;
f. Prior audit experience, including the adequacy of the financial management system and controls;
g. Timeliness, reliability, and coverage of audit reports prepared by others, such as state and local governments and independent public accountants;
h. Results of other evaluations; eg., inspections, program reviews, evaluations, etc.;
i. Mandatory requirements of legislation or other congressional recommendations;
j. Availability of audit resources; and
k. Benefits likely to result from an OIG review.

MERIT PAY

Mr. LEHMAN. On page 9 of your budget justification, you show how you derive your fiscal year 1987 budget request. Please explain "adjustment for merit pay" and why you assume no payouts for fiscal year 1987.

[The information follows:]

There are two merit pay payouts in FY 1986 and one on FY 1987. Therefore, merit pay decreases from two payouts to one.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. LEHMAN. Please show a breakdown of the fiscal year 1986 adjustments by object classification you will make to comply with the $1.187 million cut for 1986 required under the Gramm-Rudman-Hollings Act.

[The information follows:]

OBJECT CLASSIFICATION

[In thousands of dollars]

	Actual 1985	Con. Res. 1986	GRH	Bal.	Request 1987
Personnel Comp.	17,195	17,865	−89	17,776	17,656
Benefits	2,397	2,550	[1] −350	2,200	2,579
Benefits to former personnel	14	20	.....	20	20
Travel	1,743	1,750	−50	1,700	1,700
Transportation	39	50	[1] −20	30	50
SLUC	1,185	1,228	.....	1,228	1,533
Rents and Comm.	326	400	[2] −83	317	400
Printing	82	90	−5	85	90
Other services	2,959	3,192	−360	2,832	3,267
Supplies	126	152	.....	152	155
Furniture and equipment	586	300	−230	70	177
Indemnities	0	3	.....	3	3
Total	26,652	27,600	−1,187	26,413	27,630

[1] PCS related costs.
[2] Savings in FTS. Scheduled for increase in 1987.

Mr. LEHMAN. Mr. Coughlin.

COAST GUARD DEFENSE APPROPRIATION

Mr. COUGHLIN. Thank you, Mr. Chairman.

I want to followup on some of the things that you said.

Part of the Coast Guard is funded out of the Defense Appropriations Bill. Does the Inspector General of the Department of De-

fense have any jurisdiction over the Coast Guard or is that entirely your jurisdiction?

Mr. GENOVESE. It is our jurisdiction. We have audited programs that have been partially funded by DOD. We look at a program, whether it is funded by DOT or DOD money.

Mr. COUGHLIN. You do those programs as well as the programs funded by DOD?

Mr. GENOVESE. Yes.

Mr. COUGHLIN. And you evaluate the procurements regardless of what——

Mr. GENOVESE. Where the money comes from.

Mr. COUGHLIN. From where the money comes.

Mr. GENOVESE. Yes, sir.

FAA MICROWAVE LANDING SYSTEM

Mr. COUGHLIN. As you know, this Subcommittee is very concerned about those procurements and I hope that you will continue to monitor them carefully. Now, second, there have been suggestions, at least, made that the microwave landing system that is being installed by FAA, could be deferred. Have you looked into that question of the microwave landing system, MLS versus ILS? Or is that one that you——

Mr. GENOVESE. We have not looked at that one. We have done survey work in that area and made recommendations to FAA as to whether it should or should not be deferred. I would have to provide that for the record. I do not have all the information right now.

Mr. COUGHLIN. Could you provide that for the record?

Mr. GENOVESE. Yes, sir.

[The information follows:]

An audit of the MLS was scheduled in the 1985 audit plan. Some survey work was initiated only to learn that GAO was also pursuing the MLS program area. Therefore, we canceled our audit to preclude duplicating GAO audit effort.

Mr. LEHMAN. Thank you, Mr. Coughlin.

And now we have some questions from Mr. Conte and Mr. Pursell.

Mr. CONTE. Thank you, Mr. Chairman.

Would you please provide for the record the following answers to these questions?

Mr. GENOVESE. Certainly.

ORIGINAL BUDGET REQUEST

Mr. CONTE. The Administration's budget request for the Inspector General's Office is for $27.6 million and 459 positions. What was your original budget request to the Office of the Secretary and what accounts for the difference?

[The information follows:]

The original OIG 1987 budget request to OST was for $28.4 million and 471 positions. The allowance of $27.6 million and 459 positions was based on the significant OIG unobligated balance in 1985, Congressional action on the 1986 request, and termination of the air carrier subsidy program at the end of FY 1986.

Mr. CONTE. Page 18 of your justifications indicates that the largest decrease in FTE resources in 1987 will be from review of Office

of the Secretary activities, followed closely by UMTA. What accounts for the decision to reduce activity in these areas, apart from the proposed reduction in EAS activity?

[The information follows:]

The proposed elimination of the Essential Air Service Program is responsible for the entire 4.5 staffyear reduction in OIG resources allocated to OST.

The decrease in staffyears devoted to UMTA is the result of (1) the slight reduction in OIG's overall staffing, (2) increased resources directed to the new Inspection Program, (3) a shifting of resources to administrations requiring greater audit emphasis and, (4) more importantly, the significant decrease expected in UMTA's budget authority.

Mr. CONTE. The budget assumes the elimination of the EAS program. What additional resources would be necessary for the IG's office if the EAS program is not terminated?

What has the IG's office review of the EAS program produced in terms of savings over the past several years?

[The information follows:]

Twelve positions, four FTEs, $167,000 in personnel compensation, and $50,000 in travel have been identified with the EAS audit function in 1987.

The EAS program transferred to DOT on January 1, 1985. For calendar year 1985, the OIG issued 10 reports which questioned $1.89 million in subsidy claims from air carriers. Although final disposition actions have not been completed on all these reports, we expect actual cost recoveries of at least 90 percent of the amounts questioned.

Mr. CONTE. It has been charged that although there was some investigative activity, no audit work was performed in New York or New Jersey between February 25, 1979 and December 31, 1984.

Is that true, and if so, can you explain why this has been the case?

Has there been any audit activity in those two states since December 1984?

Please detail when that activity took or is taking place.

[The information follows:]

We are unable to understand how an allegation could be made that there was no audit work performed in the States of New York or New Jersey between February 25, 1979 and December 31, 1984. Throughout this time period, we had a regional office located in New York City whose audit responsibilities were limited to just these two states. As such, reports issued from this office would cover either one or both of the two states. The number of audit reports issued during this period number in the hundreds. To illustrate, since FY 1982, 298 audit reports were issued covering either one or both of these states. These 298 reports contained questioned costs of $18,362,423 and other dollar benefits of $177,121,482.

As to whether there has been any audit activity in these two states since December 1984, a listing of reports issued since that time is attached.

Further, there is continuing ongoing audit activity in these two states. At this time, there are 14 audits in process. These are:

1. Selected Consultant Costs, FHWA (Primarily involves NYSDOT).
2. Usable Highway Segments, FHWA (Includes NYSDOT).
3. Nonexpendable Property at New Jersey Transit Corporation, UMTA.
4. Bus Maintenance, UMTA (Includes four grantees in New York State).
5. New York City Transit Police Radios (UMTA).
6. Phase 2 Review of Quality of Construction, New York City Transit Authority (NYCTA), UMTA.
7. Phase 3 Review of Quality of Construction, NYCTA, UMTA.
8. Phase 4 Review of Quality of Construction, NYCTA, UMTA.
9. Quality of Bridge Inspection, FHWA (Includes NYSDOT).
10. Airport Certification, FAA (Includes New York State).
11. Construction Inspection, FHWA (Includes NYSDOT).
12. Inventory Controls at Brooklyn Supply Center, USCG.
13. Utilization of Vehicles, Third CG District.
14. Flight Program, FAA (Includes New York State).

AUDIT REPORTS ISSUED SINCE JANUARY 1, 1985 TO FEBRUARY 28, 1986
ON ACTIVITIES OCCURRING IN THE STATES OF NEW YORK AND NEW JERSEY

AUDIT REPORT NUMBER	DATE OF REPORT	OPERATING ADMINISTRATION	TITLE OF REPORT
R2FA5027	03/07/85	FAA	SMALL PURCHASES, ATLANTIC CITY, NJ
R2FA5045	05/07/85	FAA	MAINTENANCE OF FACILITIES, JAMAICA, NY
R2FH5065	07/24/85	FHWA	CONTROLS OVER CHANGE ORDER PRICING, ALBANY, NY
R2NH5034	03/26/85	NHTSA	IMPLEMENTATION OF SEED MONEY CONCEPT, WHITE PLAINS, NY
R2UM5029	03/13/85	UMTA	CONSULTANT SERVICES, NEW YORK, NY
R2UM5049	06/13/85	UMTA	LETTER OF CREDIT ADMINISTRATION, NEW YORK, NY
R2MA5031	02/26/85	MARAD	WATERMAN STEAMSHIP CORPORATION, NEW YORK, NY
Z2FA5028	03/04/85	FAA	COUNTY AIRPORT, MERCER COUNTY, TRENTON, NJ
Y2UM5037	04/12/85	UMTA	TRANSPORTATION AUTHORITY, ALBANY, NY
Z2UM5057	07/11/85	UMTA	SUFFOLK COUNTY, RIVERHEAD, NY
Y2UM5024	02/14/85	UMTA	TRANSIT SYSTEM, ELMIRA, NY
Y2FA5056	07/11/85	FAA	PORT AUTHORITY, NEW YORK, NY
Z2UM5052	06/10/85	UMTA	DUTCHESS COUNTY, POUGHKEEPSIE, NY
Z2UM5039	04/12/85	UMTA	CITY OF WHITE PLAINS, WHITE PLAINS, NY
R2UM5017	01/09/85	UMTA	DUTCHESS COUNTY, POUGHKEEPSIE, NY
R2UM5017	01/09/85	UMTA	DUTCHESS COUNTY, POUGHKEEPSIE, NY
Y2UM5038	04/12/85	UMTA	BROOME TRANSIT, BINGHAMTON, NY
R2FH5022	02/01/85	FHWA	TRI-STATE REGIONAL PLANNING COMMISSION, NEW YORK, NY
R2FA5016	01/10/85	FAA	COUNTY AIRPORT, CAPE MAY COUNTY, CAPE MAY, NJ
R2MA5015	01/04/85	MARAD	AMERICAN FOREIGN STEAMSHIP CORPORATION, NEW YORK, NY
R2MA5018	01/25/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5019	01/25/85	MARAD	PRUDENTIAL LINES, NEW YORK, NY
R2MA5020	01/31/85	MARAD	FARRELL LINES, NEW YORK, NY
R2MA5035	03/29/85	MARAD	UNITED STATES LINES, CRANFORD, NY
R2MA5023	02/14/85	MARAD	FARRELL LINES, NEW YORK, NY
R2MA5030	03/13/85	MARAD	FARRELL LINES, NEW YORK, NY
R2MA5032	03/19/85	MARAD	UNITED STATES LINES, CRANFORD, NY
R2MA5040	05/06/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5036	04/10/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5041	05/06/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5044	05/08/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY

AUDIT REPORTS ISSUED SINCE JANUARY 1, 1985 TO FEBRUARY 28, 1986
ON ACTIVITIES OCCURRING IN THE STATES OF NEW YORK AND NEW JERSEY

AUDIT REPORT NUMBER	DATE OF REPORT	OPERATING ADMINISTRATION	TITLE OF REPORT
R2MA5046	05/10/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5047	05/10/85	MARAD	UNITED STATES LINES, CRANFORD, NY
R2MA5048	05/28/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5050	07/16/85	MARAD	BERGER GROUP, LAKE SUCCESS, NY
R2MA5053	07/16/85	MARAD	AQUILA SHIPPING COMPANY, BERGER GROUP, LAKE SUCCESS, NY
R2FH5033	03/19/85	FHWA	CONSULTANT RETAINAGE, MISSING PAYMENTS & MUNICIPAL SHARE FUNDING, ALBANY, NY
R2UM5051	06/19/85	UMTA	SECONDARY AUDIT FOLLOW-UP, NEW YORK, NY
R1FH5087	09/24/85	FHWA	RELOCAION ASSISTANCE, ALBANY, NY
R1FH5092	08/13/85	FHWA	STATE EXTERNAL AUDIT, ALBANY, NY
R2FH5054	08/22/85	FHWA	CONTROL OVER EXTRA WORK ORDER PRICING, FHWA, REGION 1, ALBANY, NY
Y2UM5062	08/09/85	UMTA	TRANSIT AUTHORITY, NEW YORK, NY
Y2UM5061	08/09/85	UMTA	TRANSIT AUTHORITY, NEW YORK, NY
Y2UM5063	08/09/85	UMTA	TRANSIT AUTHORITY, NEW YORK, NY
R3FA6001	10/01/85	FAA	USE OF SELECTED EQUIPMENT, JAMAICA, NY
R3FA6002	10/01/85	FAA	USE OF SELECTED EQUIPMENT, ATLANTIC CITY, NJ
R3FH6042	11/26/85	FHWA	COORDINATING BRIDGE, CONSTRUCTION OVER RAILROADS, ALBANY, NY
R3MA6048	12/10/85	MARAD	CONNECTICUT TRANSPORT, NEW YORK, NY
R3MA6015	10/25/85	MARAD	MARINE TRANSPORT LINES, SECAUCUS, NJ
R3MA6047	12/10/85	MARAD	FARRELL LINES, NEW YORK, NY
R3MA6066	01/02/86	MARAD	FARRELL LINES, NEW YORK, NY
Y3UM5017	11/08/85	UMTA	TRANSIT AUTHORITY, ROCHESTER, NY
Y3UM5043	12/03/85	UMTA	TRANSPORTATION AUTHORITY, BUFFALO, NY
Y3UM5068	12/03/85	UMTA	TRANSIT AUTHORITY, UTICA, NY
Z3FH6087	01/21/86	FHWA	CAPITAL PROJECTS FUNDS, TRENTON, NJ
Z3FH6088	01/21/86	FHWA	GENERAL FUND, TRENTON, NJ
Z3FH6089	01/21/86	FHWA	GENERAL FUND, TRENTON, NJ
Y3FH6053	12/16/85	FHWA	HERKIMER & ONEIDA COUNTIES TRANSPORTATION STUDY, UTICA, NY
Z3FA6042	12/03/85	FAA	PLANNING & DEVELOPMENT BOARD, CORNING, NY
Z3FA6018	11/08/85	FAA	LINK FIELD-BROOME COUNTY AIRPORT, BROOME COUNTY, BINGHAMTON, NY
Z3UM5051	12/16/85	UMTA	CITY OF CAMDEN, CAMDEN, NJ
Z3UM5052	12/16/85	UMTA	CAMDEN COUNTY, CAMDEN, NJ
R3MA6006	10/16/85	MARAD	UNITED STATES LINES, CRANFORD, NJ

Mr. CONTE. Why were there no indictments in New York or New Jersey during the period February 25, 1979 through December 31, 1984, despite the large amount of DOT funding in those states during that time?

Have there been any indictments in those states since December 1984?

Is it true that anticipated indictments in that area arose out of investigations in Pennsylvania?

[The information follows:]

This office has had ongoing, active antitrust investigations in cooperation with the DOJ's Antitrust Division (ATR) in New York and New Jersey since 1983. To date, our joint ATR/FBI/OIG investigation in New Jersey has resulted in 25 indictments and 14 convictions. Eleven of these indictments were returned in 1984; however, they were not recorded in our MIS system until 1985. Information provided by convicted bid riggers during Pennsylvania investigations (40 indictments and 1 convictions since November 1981) furnished the break to the New York project. To date, two indictments have been returned in the Eastern District of New York, three in the Western District, and three in Pennsylvania on a New York based corporation and its principal officers. It should be noted that antitrust investigations are long labor intensive investigations, with grand juries lasting 2 to 3 years before indictments are returned. Antitrust investigations have been a major share of our regional offices' efforts since 1981.

Mr. CONTE. It has been charged that IG headquarters auditors have a practice of visiting field sites despite the availability of field auditors, while field auditors continue to travel to headquarters.

Is all of this back and forth movement necessary?

Why?

[The information follows:]

Since inception of the OIG, Headquarters auditors have gone into the field to perform much of their audit verification on the larger national issues because that is where policy is actually implemented. These trips are most often to several locations throughout the country. On the other hand, in the early years of the OIG, regional reviews were generally restricted to regional geographical boundaries with an occasional trip to Headquarters to resolve certain issues. However, artificial restriction on audit coverage proved to be too inhibiting on both regional operations and overall OIG operations. This is because regional audit findings on occasion do have national implications that needs more review at Headquarters before the extent or magnitude of the audit issue can be determined. To satisfy this need for additional audit review, it became apparent that the best persons to do it were the auditors who initially uncovered the audit finding. By using the regional auditors instead of the Headquarters auditors, the "learning curve" was reduced thereby making more effective use of our audit staff.

Mr. CONTE. Please provide information for the record showing the average grade trend of OIG employees since the office's creation?

[The information follows:]

	Average grade
1979	11.42
1980	11.40
1981	11.71
1982	11.72
1983	11.56
1984	11.33
1985	11.34

Mr. CONTE. As you may know, the GAO has done a review of DOT automobile and driver usage.

Has the IG's office done any similar review?

[The information follows:]

We have been requested by the General Accounting Office to assist them in performing some follow-up work in regard to use of Government vehicles. Two progress reports have been provided GAO to date.

Mr. CONTE. To what extent does the IG's office contract out for audit and/or investigative services?

Please detail any such contracts for the record.

[The information follows:]

	Thousands
DCAA	$1,278
DHHS	74
Other	7
IPAs	100
Total	1,459

Mr. LEHMAN. Thank you, Mr. Conte, and now, Mr. Pursell.

Mr. PURSELL. Thank you, Mr. Chairman.

You have recently conducted audit reports of the St. Lawrence Seaway Development Corporation.

Regarding the audit on the lease of a passenger aircraft, I believe the agreement was declared null and void. Is that true?

However, I would be interested in knowing how much it cost to break that contract.

[The information follows:]

Yes, the lease was rescinded by the St. Lawrence Seaway Development Corporation on October 7, 1985. The negotiated settlement cost was $43,750.

Mr. PURSELL. Regarding the audit on the St. Lawrence Seaway Development Corporation Renovation of Cape Vincent Facility and control of other corporation expenditures, does their reply meet with your satisfaction?

If not, what happens, if anything?

[The information follows:]

Yes, their response is satisfactory. Records are being kept for the utilization of the Cape Vincent Facility, an antideficiency report is being prepared for the expenditure of reception and representation funds, and the Corporation is following the Federal Acquisition Regulations.

Mr. PURSELL. Based on your audits, what is your overall assessment of the management of the St. Lawrence Seaway Development Corporation keeping in mind, it is a corporation run as a business to market the St. Lawrence Seaway and is financed by their tolls and not by appropriations?

[The information follows:]

Since it is a Government corporation, GAO is responsible for performing an annual audit of the corporation. Our audits performed to date have been selective and concentrated in apparent problem areas.

Mr. LEHMAN. Thank you, Mr. Pursell.

Mr. Wolf?

Mr. WOLF. I have no questions, Mr. Chairman.

Mr. LEHMAN. We will adjourn the meeting and thank you for being with us today.

Mr. GENOVESE. Thank you, very much, Mr. Chairman.

WEDNESDAY, MARCH 5, 1986.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

WITNESSES

M. CYNTHIA DOUGLASS, ADMINISTRATOR
GEORGE NESTERCZUK, DEPUTY ADMINISTRATOR
ALAN I. ROBERTS, DIRECTOR, OFFICE OF HAZARDOUS MATERIALS TRANSPORTATION
ROBERT L. PAULLIN, DIRECTOR, OFFICE OF PIPELINE SAFETY
LOUIS W. ROBERTS, DIRECTOR, TRANSPORTATION SYSTEMS CENTER
ROBIN CALDWELL, DIRECTOR, OFFICE OF AVIATION INFORMATION MANAGEMENT
LLOYD MILBURN, DIRECTOR, OFFICE OF EMERGENCY TRANSPORTATION

OPENING REMARKS

Mr. LEHMAN. The Subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1987 budget from the Research and Special Programs Administration. Our witness today is Cynthia Douglass, the Administrator.

We will be pleased to hear your statement at this time. You may read it, or, if you prefer, you may summarize it, and we shall insert your entire statement in the record. And you may introduce the people who are with you now.

INTRODUCTIONS

Ms. DOUGLASS. Thank you, Mr. Chairman. I am pleased to be here today to present the President's budget request for the Research and Special Programs Administration for fiscal year 1987.

I do want to introduce my colleagues. Next to me, right on my left, is George Nesterczuk. George is the Deputy Administrator of the agency and he is also the Chief Scientist for the Department of Transportation. Next to George is——

Mr. LEHMAN. What is his scientific specialty? In what field is his Ph.D.?

Mr. NESTERCZUK. Physics and astrophysics.

Mr. LEHMAN. Wow. OK. I have a grandson that wants to pursue that. I am going to have him get in touch with you.

Mr. NESTERCZUK. It is fun; it is enjoyable.

Ms. DOUGLASS. Next to George is Al Roberts. Al is the Director of the Office of Hazardous Materials Transportation.

Mr. LEHMAN. I will not have my grandson get in touch with you. [Laughter.]

Ms. DOUGLASS. Next to Al is Lou Roberts, and Lou is the Director of the Transportation Systems Center in Cambridge, Massachusetts.

On my far right is Lloyd Milburn and Lloyd is the Director of our Office of Emergency Transportation. Next to Lloyd is Robin Caldwell and Robin is the Director of our Aviation Information Management Office. And sitting right next to me is Bob Paullin who is the Director of our Office of Pipeline Safety.

Mr. LEHMAN. What is emergency transportation?

Ms. DOUGLASS. Lloyd, maybe you would like to answer that.

Mr. MILBURN. Well, the Office of Emergency Transportation has responsibility for the Secretary's statutory responsibilities for providing management direction and guidance over the transportation system in national defense types of emergencies, or in major disasters.

1987 BUDGET REQUEST

Mr. LEHMAN. I have a general idea. Thank you. You may go ahead and summarize your statement.

Ms. DOUGLASS. All right. I will submit my full statement for the record and I do have a summary statement which I would be glad to give to you, or I would be glad to, if you want me to just answer questions; either way.

Mr. LEHMAN. Why don't you just briefly summarize the summary.

Ms. DOUGLASS. All right. I will mention that our budget request is for $20,024,000 for 1987, and that is compared to $18,470,000. That is approximately a $1.5 million increase in our budget.

Currently, we have responsibility for the programs that I have just essentially mentioned here in my introductions.

STAFFING REQUEST

Let me highlight a couple of things in our budget for you. One very important and very significant thing is that we are requesting an increase in our hazardous materials transportation staff of twelve, and we are requesting an increase in that budget of about $1.1 million.

So, most of our increase is in that area. We are recommending a decrease in the aviation information management staff of fifteen.

We are also recommending that that aviation information collection function be essentially contracted out, and that we pay for that primarily through user fees.

We are also recommending the defederalization of the Transportation Systems Center in Cambridge, Massachusetts by April 1987.

PIPELINE SAFETY GRANT PROGRAM

In addition to our budget package, we will also be sending to the Hill a legislative package for two authorizations: one for the pipeline safety program and one for the hazardous materials transportation program.

The most important highlights, I'd say, of those two packages are really in the pipeline safety area.

We are recommending merger of the hazardous liquid and natural gas pipeline safety grant programs. We are also recommending that we go to a user fee to fund those programs.

However, I did want to mention that despite the concept of a user fee we do recommend coming back through the legislative process to get our funding request.

We want to make sure that those checks and balances are in place so the program does not grow unattended. I do not know if that is a word but——

Mr. LEHMAN. I understand.

Ms. DOUGLASS. Now, I would like to highlight a couple of things that you asked us to do last year, and that we are in the process of doing.

You did ask us to cut our aviation information staff by six, and you also asked us to look at user fees and contracting out for that function.

We have a project underway to accomplish all of that, and the highlight of that is we will be transferring immediately, the aviation information collection function up to TSC, to Lou's group, and, for this year, we will not be charging a user fee to any of the Department of Transportation agencies because you put that in our budget last year.

AGENCY REORGANIZATION

But then in fiscal year 1987 we will be moving toward a user fee concept. After testifying before you last year I later announced a reorganization of the agency which involved eliminating the Materials Transportation Bureau and creating in its stead two offices: an Office of Pipeline Safety and an Office of Hazardous Materials Transportation.

I now have two directors reporting directly to me. Both of those people have total responsibility for their safety program. Bob has responsibility for the pipeline safety program and Al has responsibility for hazardous materials transportation.

That has been of great benefit, I think, to the program and to me, as the Administrator, and the primary person with responsibility for management of the overall agency.

It also allowed me to do some things that are consistent with your appropriations bill last year. You wanted us to eliminate three people from the Materials Transportation Bureau and put three people into hazardous materials enforcement, and in fact we have been able to do that. We have been able to, with the elimination of the Materials Transportation Bureau, move more people into the hazardous materials area, especially into the hazardous materials enforcement area.

FEDERAL-STATE WORKSHOPS

Another very significant project that I think you will be interested in is that we are well underway in establishing and holding these federal-state workshops.

We are holding regional workshops with a small number of states so we can sit around a table and discuss our problems.

I think that will give us a great deal of help and uniformity in resolving some of these routing problems and any problems with our regulations, our enforcement, or our interpretations.

We have four scheduled workshops, starting next week, with the first one in Nashville, Tennessee, and we also plan on doing the same type of thing this year in nuclear transportation, that is getting together regionally.

Mr. LEHMAN. When?

Ms. DOUGLASS. Well, we have not got the specific places in mind on nuclear.

Mr. LEHMAN. Why don't you start with Los Alamos? I know about that situation. I have been out there. It is just a suggestion.

Ms. DOUGLASS. OK.

Mr. LEHMAN. Los Alamos or Santa Fe, because the road from Los Alamos to Santa Fe where they carry nuclear material is a "bomb" that is waiting to go off.

Ms. DOUGLASS. That would seem to make a lot of sense to me, for that whole region, and then another area, I would think, would be the Hanford, Washington area. I would think that that might be another area we would want to specifically get——

Mr. LEHMAN. I know that the people out in Los Alamos are very concerned about the transportation of nuclear materials on the hairpin turns between—do you know what I am talking about?

Ms. DOUGLASS. Yes.

Mr. LEHMAN. I was on that road a few months ago, and I know what you are saying. I think that is a good place to start.

Ms. DOUGLASS. OK. In addition to the idea of the nuclear and the hazardous materials, we are also working with FEMA and EPA to hold emergency response workshops around the country, and I think that is a very worthwhile thing.

Mr. LEHMAN. Excuse me. But I am going to have someone from there write you a letter inviting you out there.

Ms. DOUGLASS. OK. Then finally, I did want to mention that in the area of the rulemaking, we did publish the rule on liquids toxic by inhalation, which was the Bhopal type of chemical and other hazardous toxic chemicals.

We issued that final rule, and in the pipeline safety area, we did extend the Federal interstate hazardous liquid rules to the intrastate pipelines. So that is accomplished.

SAFETY TASK FORCE REPORT

Then finally, I do want to recommend the Secretary's Safety Task Force report on hazardous materials transportation safety.

That is a very significant event that has occurred in this last year, and I wanted to say that as a fairly new Administrator, over a year ago, I believed that our program needed a complete and fresh review, and that conclusion of mine was the primary impetus for the reorganization of RSPA, creating an Office of Hazardous Materials Transportation.

At the time Al and I discussed a number of problems, like staffing, and discussed doing a review ourselves of the agency. Shortly thereafter, the Secretary decided that her task force should focus on hazardous materials transportation safety. We welcomed that review and we worked closely with the staff, and we support the task force's recommendations.

Our challenge is going to be to implement the recommendations and to move our program forward, and for that, we are going to need your help, your financial support and your staffing support.

Mr. LEHMAN. A lot of the things are really out of the control of your agency, like making better highways upon which the hazardous wastes travel; better roadbeds where the railroads haul it; those things are really not directly related to your own concerns.

Ms. DOUGLASS. Well, that is true, but a lot of it is within the Department of Transportation, and we do interact with the other modes, like highways. If there are roads that we know that are carrying very, very hazardous materials, we do work with the highways in that regard, and with the FRA on maintaining the tracks that are carrying very hazardous chemicals.

Mr. LEHMAN. Can we get on with the questions now, or do you have something else you want to say?

Ms. DOUGLASS. My statement is finished, and I am ready to answer any questions.

[The prepared statement follows:]

STATEMENT OF M. CYNTHIA DOUGLASS, ADMINISTRATOR

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION

March 5, 1986

Good morning. I am pleased to be here today to present the President's budget request for the Research and Special Programs Administration (RSPA) for Fiscal Year 1987.

This request reflects Secretary Dole's commitment to a safe and efficient transportation system—a commitment which I wholeheartedly share. We are requesting an appropriation of $20,024,000 for FY 1987 as compared to our FY 1986 appropriation after sequestration of $18,470,000.

Currently, RSPA has responsibility for the following programs:

- Office of Hazardous Materials Transportation (OHMT) - OHMT is responsible for a national safety program to protect against risks to life and property inherent in the transportation of hazardous materials in commerce (other than bulk transportation on board vessels).

- Office of Pipeline Safety (OPS) - OPS is responsible for the development and enforcement of regulations necessary to ensure the safe transportation of hazardous liquids and natural gas by pipeline.
- Transportation Systems Center (TSC) - TSC's mission is to provide research and analysis support to all of the DOT operating administrations, the Office of the Secretary and other Federal agencies.
- Aviation Information Management (AIM) - The AIM program provides consistent and comprehensive air carrier financial and statistical data that portrays the results of operations in the air transportation industry.
- Transportation Safety Institute (TSI) (in the Office of Program Management and Administration) - TSI conducts comprehensive training programs in transportation safety and security for Federal, State, and local government officials involved with all modes of transportation; e.g., training state truck safety inspectors.
- Office of Emergency Transportation (OET) - OET's responsibility is to assure there is an organizational structure and procedures for the continued viability of the Department as well as the operation of this country's civil transportation system in the event of a national emergency.

- o Communication and Radionavigation (Telecommunications) (in the Office of Program Management and Administration) - RSPA coordinates Departmental policy and research and development of civil and military radionavigation systems for use by land, air and marine users.
- o Statistics, Data, and Information (in the Office of Program Management and Administration) - RSPA has the general responsibility for planning, developing, and coordinating a comprehensive transportation statistics and information program.

A chart of the current RSPA organization is attached as Appendix A.

RSPA's FY 1987 budget request represents a slight increase over the FY 1986 programs after sequestration. Some significant highlights are:

- An increase in staff (12) and budget of $1,104,000 in the Office of Hazardous Materials Transportation. The increase allows RSPA to update, republish and distribute the Emergency Response Guidebook during 1987.
- A decrease in staff (15) and budget of $632,000 for the Office of Aviation Information Management which reflects a realignment of the data collection function, reimbursement through charges assessed to users of the data, and the termination of the essential air service program.

- Defederalization of the Transportation Systems Center in Cambridge, Massachusetts, by April 1987.

In addition to our FY 1987 budget package which is before the Committee today, RSPA intends to send to Congress a legislative package which would authorize RSPA to collect "user fees" for the pipeline safety program and to merge the funding of the Natural Gas and Hazardous Liquid Pipeline Safety Grant-in-Aid Programs.

In FY 1986, RSPA has underway several significant projects which I will highlight for the Committee. First, Congress cut the staff of the Office of Aviation Information Management by six in FY 1986. Therefore, a significant project will be the realignment of AIM. Further, the Congress directed RSPA to study the concept of charging fees to users of the aviation information data. We were also directed to study "contracting out" the aviation information data collection function. These efforts are well underway and, in fact, RSPA is in the process of "contracting" with the Transportation Systems Center in Cambridge, Massachusetts, to collect the data.

Second, in late FY 1985 and into FY 1986, RSPA reorganized the Materials Transportation Bureau (MTB) which had responsibility for both hazardous materials transportation and pipeline safety. In place of one Office Director reporting to the Administrator of RSPA on both hazardous materials transportation and pipeline

safety, we now have one Office Director for hazardous materials transportation and one for pipeline safety with both Directors reporting to the Administrator. This change has two distinct advantages. First, I believe this organization permits the Administrator to give more attention to each program area. Second, each program area has one person whose entire focus is on that area. I can testify to the new enthusiasm and energy that this reorganization has brought to these important areas.

The reorganization also permitted me to provide for an increased number of staff for hazardous materials transportation. Under the FY 1986 budget, RSPA had administrative staff which were arbitrarily divided between hazardous materials transportation and pipeline safety. The breakdown was as follows: Hazardous Materials Transportation (62) and Pipeline Safety (49). Under the reorganization, we moved three staff positions to hazardous materials and one to the Chief Counsel's Office for hazardous materials transportation enforcement purposes. This resulted in 65 staff positions for hazardous materials transportation and 45 for pipeline safety. This reorganization is also consistent with the conference report for the FY 1986 budget which directed RSPA to reduce MTB by three and add three to the hazardous materials transportation enforcement area.

Another hazardous materials project well underway in FY 1986 is the Federal/State workshops on hazardous materials transportation. RSPA plans three areas of Federal/State workshops. One of workshops will focus on hazardous materials transportation. A second set will focus on emergency response, and a third on nuclear transportation. Cooperative Hazardous Materials Enforcement Development (COHMED) workshops begin March 10 in Nashville. There will be four workshops held in conjunction with the Federal Highway Administration's (FHWA) Bureau of Motor Carrier Safety (BMCS). We plan these regional workshops as annual events. The emergency response workshops are underway and are being held in conjunction with FEMA and EPA. The nuclear transportation workshops will be organized similarly to the COHMED workshops and will be held in conjunction with DOE and, hopefully, other Federal agencies. Dates are not yet set. These cooperative workshops are, I believe, very important to a successful Federal/State hazardous materials transportation program.

Another significant accomplishment in FY 1985 and FY 1986 is the issuance of a final rule for liquids toxic by inhalation and a NPRM for cargo tanks. In the pipeline safety area, we issued a final rule extending the applicability of the Federal interstate liquid pipeline regulations to intrastate lines.

Office of Hazardous Materials Transportation (OHMT)

RSPA is requesting an appropriation of $6,706,000 to carry out the hazardous materials transportation program. This figure includes $5,956,000 for operations and $750,000 for research and development. It reflects an increase of 12 positions and increased dollars. These increases are consistent with recommendations of Secretary Dole's Safety Task Force which reviewed the hazardous materials program. A description of the positions requested is in our FY 87 budget submission.

The safety record for the transportation of hazardous materials in the United States has been very good. Last year, of the 5,900 incidents nationwide involving hazardous materials transportation there were 11 fatalities and 252 injuries. A chart of incidents occurring since 1974-1985 is attached as Appendix B1.

I am committed to ensuring that this excellent safety record continues. The budget for FY 1987 will allow RSPA to continue the following safety programs:

(1) Collection of safety data;

(2) Enforcement of safety regulations and coordination of activities of all modes relating to hazardous materials transportation enforcement;

(3) Continuation of rulemaking;

(a) cargo tank specifications,

(b) performance oriented packaging standards,

(c) recodification of DOT's explosive regulations,

(4) Support for training of Federal and State hazardous materials transportation safety inspectors at TSI via RSPA's budget and the Motor Carrier Safety Grants authorized in the 1982 Surface Transportation Assistance Act;

(5) Federal/State workshops on hazardous materials transportation;

(6) Republication and distribution in 1987 of an Emergency Response Guidebook; and

(7) Continuation of hazardous materials safety research and development.

A more detailed description of our hazardous materials program follows.

A major responsibility of OHMT is the development and issuance of regulations governing hazardous materials transported by all modes (with the exception of standards developed by the U.S. Coast Guard for bulk transportation by vessel). Our budget request for FY 1987 allows RSPA to continue essential rulemakings on performance oriented packaging standards, cargo tank specifications, and recodification of the explosives regulations.

Our ongoing program of regulatory revision and reform is highlighted by our commencement of a pre-rulemaking examination of the current standards for the transportation of explosives. We are looking at the issues involved in a complete revision of the standards to make them consistent with international shipping standards. Additional rulemaking reforms under active consideration are in the following areas: collection and reporting of data on hazardous materials incidents, regulation of reportable quantities of hazardous substances, and transportation of trailers, and other hazardous materials containers by rail.

The OHMT is responsible for enforcement of regulations applicable to multimodal transportation of hazardous materials. The primary emphasis is on enforcement of regulations applicable to manufacturers, reconditioners and retesters of DOT specification containers and multimodal shippers of hazardous materials. However, we also work closely with the other modal administrations and other organizations to assure compliance with the operating requirements applicable to the movement of hazardous materials. For example during the last calendar year, we conducted several joint operations with the U.S. Coast Guard at port facilities, inspecting import and export shipments of hazardous materials and participating in

its freight container inspection program. In addition, we assisted the Office of the Inspector General, General Services Administration, in conducting a criminal investigation of retesters of compressed gas cylinders, and the Arizona Department of Public Safety on investigations involving cylinder retesters and fireworks. Finally, we conducted pre-departure inspections of spent nuclear fuel shipments at Calvert Cliffs, Maryland, and Surrey, Virginia; we assisted the Federal Railroad Administration in conducting a spent nuclear fuel inspection at Cooper Station, Nebraska; and we participated with the State of New York and the BMCS in conducting a pre-departure inspection of a spent nuclear fuel shipment from the Brookhaven National Laboratory, Long Island, New York.

A key to the effectiveness of our enforcement efforts has been RSPA's interaction with the States. In FY 1986 we initiated with the BMCS the COHMED workshops. This series of regional workshops continues the working relationships we have developed under the State Hazardous Materials Enforcement Development (SHMED) program. Through these workshops, the Federal and State people responsible for hazardous materials transportation can share information regarding regulations, training, interpretations, enforcement, and research which will assure a

better regulatory scheme and more uniformity. Both goals provide the public with an increased level of safety. We will also initiate a series of workshops focused on the issues of nuclear transportation. In addition, we have worked with FEMA and EPA to co-sponsor workshops on emergency response.

Another key to better enforcement and to uniformity is the training of State enforcement personnel at TSI. In FY 87, RSPA is requesting $185,000 for partial funding of RSPA sponsored hazardous materials training at TSI in Oklahoma City. This funding level will cover about half of the cost of the hazardous materials training planned for FY 87 and is predicated on collecting tuition from States and other participants. The State share of funding for training can be substantially met through dollars received from MCSAP, a Federal grant program carried out under the Surface Transportation Assistance Act. However, in order to be able to use tuition fees to provide funding support for our TSI training effort, the President's budget proposes specific language permitting the fees to be credited to our appropriation. Such language appears in other DOT Administrations' appropriations. In FY 87, RSPA plans to sponsor 56 classes in six areas of hazardous materials for 1,880 students. In FY 87 training will be provided to 380 Federal employees and 1,500 State and local government employees. In FY 1986 RSPA will be able to train only

1,200 persons (approximately) because it did not receive authority to apply tuition fees to operation of the TSI program.

To meet the growing demands by local and State officials for emergency response information, and to accommodate technical changes, RSPA is revising and updating the 1984 Emergency Response Guidebook (ERG) for publication and distribution in 1987. This guidebook is designed to aid first responders — firefighters, police and other emergency service personnel — at hazardous materials accidents. It provides a listing of hazardous materials and recommends actions to be taken during the initial phases of an accident. The ERG is part of the Department's continuing effort to provide local organizations with specialized technical information which is critical to a successful emergency response. We are specifically requesting funds for printing and initial distribution of the 1987 edition.

As an important resource in support of our regulatory and enforcement programs and the development of emergency response preparedness, I strongly support the use of advisory committees. Last year, the DOT's National Hazardous Materials Transportation Advisory Committee (NHMTAC) began operations. Its principal tasks are to provide information, advice, and recommendations on matters

relating to all aspects of hazardous materials transportation and Federal, State, and local government roles and relationships. Currently the Committee is considering recommendations in three major areas: prevention, emergency response and information exchange. I expect these recommendations to be finalized shortly. The Committee is a valuable resource providing a non-Federal perspective for identifying issues of common concern, evaluating approaches and solutions and communicating recommendations.

New responsibilities have also been imposed on the Department by the Nuclear Waste Policy Act of 1982. In accordance with that Act, the Department is a primary contributor to the resolution of transportation issues concerning the movement of spent fuels from the point of generation to repositories.

Finally, let me summarize the status of two important studies undertaken by RSPA at the request of Congress.

(1) Joint FEMA/DOT Study - This study evaluates programs conducted by Federal/State/local governments and the private sector which provide training for compliance, enforcement, and emergency response and which provide planning for emergency preparedness. The study will enable the two agencies to make recommendations on mechanisms to assure long-term continuity in funding.

Respective project offices of DOT and FEMA have been coordinating throughout the study. The final report should be submitted to Congress shortly.

(2) Study to assess data collection approaches. This study assesses various alternative approaches to data collection by State and local governments. Recommendations will be sent to Congress.

This work is performed with the cooperation of the DOE. The analytical work is now complete. Comments from State and local officials on a draft report have been solicited and received. The final report to Congress should be submitted in March.

Office of Pipeline Safety (OPS)

RSPA is requesting an appropriation of $8,116,900 to carry out the pipeline safety program. This figure includes $2,991,900 for operations and $625,000 for research and development. We are requesting $4,500,000 for the Natural Gas Pipeline Grant-in-Aid Program. We are also recommending a merger of the natural gas pipelines and hazardous liquid pipelines grants-in-aid.

Pipelines are our safest transportation mode. RSPA's responsibility for safety regulation of natural gas pipelines involves more than 2,300 operators of a gas

pipeline network of more than 1.5 million miles. The responsibility for hazardous liquid pipelines involves over 385 operators and more than 250,000 miles of pipeline which transport petroleum, petroleum products and anhydrous ammonia. Last year, of the 331 natural gas pipeline failures occurring nationwide, there were 26 fatalities and 106 injuries. Of the 190 hazardous liquid pipeline failures nationwide, there were 5 fatalities and 18 injuries. Charts of incidents occurring since 1974 for natural gas and hazardous liquids are attached as Appendix C1 and C2.

In 1968, Congress passed the Natural Gas Pipeline Safety Act providing that DOT establish safety regulations for facilities used in the transportation of natural gas and other gases by pipeline. In 1979, the Department's authority was extended to the transportation of hazardous liquids by pipeline.

Both Acts set up State grant-in-aid programs to provide for State enforcement of the pipeline safety rules. The success of the natural gas and hazardous liquid pipeline safety programs is reflected by the fact that generally there has been a downward trend in the number of pipeline accidents since 1980. Of the accidents that have occurred, the most common cause of the more serious ones has been third-party damage, usually by excavation activity beyond the pipeline operator's control. To

address this problem, the pipeline regulations now require operators to participate in a utility locator system so that persons contemplating excavation can use the "one-call" utility locator to receive information on the exact location of pipelines in that area. We have also been working with the States to pass State legislation requiring excavators to use the one call system.

In FY 1987, we intend to continue rulemakings reviewing the natural gas and hazardous liquid safety requirements, materials requirements, pipe design and component design for both gas and hazardous liquid pipelines. Among these, we have identified reviewing the safety standards incorporated by reference (these standards are improved on a continuous basis as new technology is developed) as an important rulemaking in FY 1987.

We receive advice on proposed regulatory changes from our technical advisory committees. As required by statute, the two technical pipeline safety standards committees (gas and hazardous liquid) meet to review proposed regulatory changes, additions, or deletions. Both committees meet individually on upcoming pipeline regulations and then meet jointly to assist me in reviewing studies and

recommendations that affect our pipeline safety program. I believe these meetings set an example of how important this type of advice can be to a Government program.

The members of these committees are widely respected pipeline safety experts from industry, the Government, and the public sector. They have given a great deal of their time to this pipeline program. Their advice allows us to have a far more effective pipeline safety program. The benefits are worth far more than the relatively few dollars we spend bringing these people together.

The Federal/State partnership in the natural gas safety regulatory and enforcement arena has worked well. In fact it serves as a model for our Federal/State workshops on hazardous materials transportation. Forty-seven States have developed safety programs by adopting Federal pipeline safety regulations and enforcing them with substantially the same sanctions as those employed by the Department. Three states have adopted the regulations and inspect operators for compliance with enforcement actions arising therefrom being referred to the Department for action. The $4.5 million in grants being requested is $193,500 more

than the level of funding appropriated (after sequestration) for FY 1986. Twenty-nine of the States are receiving maximum (up to 50%) funding of their program costs. Thirty-four states are receiving at least 40% of their program costs. I believe that maintaining assistance at this level will continue the effectiveness of the program.

There has been a change in the way the grant dollars are distributed by DOT that warrants mention. When the Natural Gas Pipeline Safety Act was originally passed in 1968, one of the objectives was to further Federal uniformity in pipeline safety regulations and enforcement. The grant program was set up to encourage the States to adopt and enforce the Federal regulations.

Therefore, there were essentially no strings attached to the grants. Now that 48 States plus the District of Columbia and Puerto Rico have essentially adopted the Federal regulations, it is felt by many that the Federal Government should set some basic criteria to encourage States to improve their programs.

RSPA, therefore, distributed the $4,306,500 appropriated in 1986 as follows: $3.2 million was distributed as it has been in the past; the remaining amount was distributed according to certain basic criteria designed to assure an adequate level of safety. The criteria used by RSPA were: participation status, jurisdiction, inspector

qualifications, recommended number of inspectors and recommended number of inspection person-days, and third-party damage prevention program. The latter was added this year. Use of this modified formula for allocation of grant money has the advantage of encouraging States to upgrade their program.

For pipeline safety research and development, the funding level requested is $88,000 more than the level of funding appropriated after sequestration for FY 1986. During 1985, a cooperative research program was initiated with a number of private and public organizations, greatly extending the research capabilities of RSPA. Six specific projects were initiated or continued from prior years. Ongoing projects are: LNG vapor dispersion prediction and mitigation methodologies; assessment of girth weld defect tolerance methodologies; assessment of the yield/tensile ratio as a measure of toughness and ductility of steels for pipelines; stress corrosion cracking of line pipe steels; assessment of cathodic protection criteria for carrier pipe in casings, and assessment of long-term degradation of cast iron pipe. The completed projects are: pipeline safety testing/inspection methods study; and the transport of methanol by pipeline; and the mandatory use of quality assurance programs by interstate operators.

Finally, studies undertaken at the request of Congressional representatives or Committees are summarized as follows:

(1) Study of a Pipeline Safety Account - This study, released in December, concluded that substantial benefits accrue to the pipeline industry from the Federal pipeline safety program. It was recommended that the natural gas and liquid transmission companies be assessed a fee for a pipeline safety account to cover the total Federal costs of the program, and that cost control mechanisms be established to prevent program growth beyond that intended by Congress.

(2) Methanol Pipeline Study - Study of issues relating to the transportation of methanol through interstate liquid pipelines. The study examines the economics and engineering of such transportation; and any associated environmental, health and safety problems.

The report on the study was completed and was forwarded to Congress in April 1985.

(3) Pipeline Safety Testing/Inspection Methods Study - Study of the feasibility of, and costs connected with, requiring various methods of testing and inspecting hazardous liquid pipeline facilities, including new technologies available for monitoring from the outside or the inside the condition of such facilities. I expect the report to be forwarded later this month.

(4) Study to identify and inspect potentially hazardous interstate pipeline transmission facilities constructed before 1940 - This report was sent to Congress in October 1985. The conclusion reached is that such pipelines do not presently create any special risk to public safety.

(5) Study of the alignment of pipeline safety regulatory responsibilities among various levels of government - The bulk of the analysis effort on this study to examine possible additional pipeline activities to be included in a regulatory program, alternative alignments of governmental responsibilities, and legislation and funding of impacts of the alternatives, has been completed. The draft report is under internal review.

(6) Study of Hazardous Liquid Storage Facilities - In this study the safety performance of the facilities incidental to pipeline transportation have been reviewed. The potential risks associated with these facilities, which are not currently regulated under Part 195, were examined to determine if they pose a sufficient threat to warrant regulation. Again, this report has been drafted and is undergoing internal review. I expect it to be released next month.

(7) Study to evaluate benefits and costs of establishing a mandatory quality assurance program for interstate pipeline operators - This study was finalized this month. It was concluded that mandatory quality assurance programs are not cost beneficial, and that they would not enhance safety.

(8) Study of Pipeline Safety Grant Allocation and Merger - This study focuses on merging the natural gas and hazardous liquid pipeline grants, and on the allocation formula used to administer the grant funds. It is expected that it will be released in April.

Transportation Systems Center (TSC)

TSC, located in Cambridge, Massachusetts, is the Department's multimodal research, development, systems engineering and applied analysis center. It provides support to the Office of the Secretary, the DOT operating administrations, and other Federal agencies requiring assistance with transportation-related issues. The FY 1987 budget would provide 239 total FTE's for TSC, compared to a current total FTE level of 525. This staffing reduction primarily reflects the FY 1987 budget proposal "that activities of TSC be carried out by contract with a non-Federal entity after April 1, 1987". The 239 FTE level also reflects staff reductions made on the

basis of Departmental priorities. As in prior years, no dollar amount is requested in the FY 1987 budget because TSC is funded through a Working Capital Fund. This fund is financed through negotiated agreements with the Office of the Secretary, DOT's operating administrations, and other governmental elements requiring the Center's capabilities. In FY 1985, TSC funds available for obligation reached $104 million. In the current fiscal year, the funds available for obligation are estimated at this time to be about $89 million.

Aviation Information Management (AIM) - AIM is the office within RSPA that was created as a result of the transfer of certain programs and activities from the sunsetted Civil Aeronautics Board.

The AIM program provides the data, informational resources and support services necessary for the DOT to make informed and timely decisions concerning operations of air carriers in the air transportation industry. Current DOT users of the basic data and products and services of this aviation information program include: 1) the FAA (safety surveillance and analysis, airport development funds allocation, airport policy development, and airway facilities requirements forecasting), and 2) the Office of the Secretary (industry monitoring and international policy development including negotiation of routes, carrier selection and fares and rates, fitness

determinations, and industry monitoring). It is the primary source of information on the economic and operational aspects of the air transportation industry. It is also used by other government agencies, including: Commerce, Labor and Air Force. The airline capacity, traffic, and industry cost information is also of substantial value to non-Federal users such as aircraft manufacturers, air carriers, airports, researchers, the travel industry, and the traveling public.

In FY 1986 we realigned the AIM program to establish a cooperative effort between the Government and the private sector. Full implementation is anticipated beginning in FY 1987. We did this to provide a mechanism to offset recurrent program operating costs with user payments from those who benefit from the aviation data, including both Federal and non-Federal sources. Under the realignment the AIM regulatory functions are provided for in this budget request. They include 1) identifying DOT data requirements; 2) prescribing and enforcing necessary air carrier reporting, and 3) policy oversight and guidance of the aviation information processing activities. Also under the realignment the AIM non-regulatory functions are now performed by resources under the TSC Working Capital Fund. This enables us to match ongoing and one time aviation data services with user

charges on a reimbursable basis. Functions include: 1) data collection, 2) data verification and processing, 3) data dissemination, and 4) special servicing.

The FY 1987 budget request for the AIM operation funds is $712,650. The budget request anticipates the first full year operation of the new, reimbursement approach to the program. It represents staff savings of 60% and almost 50% in funds.

Transportation Safety Institute (TSI) - TSI, located in Oklahoma City, Oklahoma, conducts comprehensive training programs in behalf of sponsoring Federal agencies in transportation safety and security for Federal, State, and local government officials involved with all modes of transportation; e.g., training State truck safety inspectors. The FY 1987 budget request is for two staff positions and the funding for compensating these individuals. No other program dollars are requested TSI is similar in funding to TSC in that it staffs and funds its program activities through reimbursable agreements with the Office of the Secretary, the DOT operating administrations, and other Federal agencies. For example, the training of State motor carrier safety inspectors is funded by the Federal Highway Administration (FHWA), while airport security directors training is funded by the Federal Aviation Administration (FAA) (domestics) and Department of State (DOS) (internationals).

Office of Emergency Transportation (OET) - OET executes the Secretary of Transportation's statutory and administrative responsibilities in the area of civil transportation emergency preparedness. OET prepares, coordinates, and implements all plans, policies, and programs including providing policy guidance and direction to those elements of the Federal transportation community outside of the Department required to maintain a high state of emergency preparedness. This Office develops and conducts simulated civil and joint civil/military exercises and training courses to address transportation-related problems that would be encountered in national or regional emergency situations. OET is continuing to develop reliable emergency telecommunication capabilities for the Department and concerned members of the Federal Transportation communities to enable continued transportation operations in the event of regional and national crises including war.

Another important OET activity is to provide for prompt and effective Federal transportation community response planning in the event of natural disasters, such as volcanoes, earthquakes, and man-made crises including labor disturbances, which adversely impact the nation's civil transportation system. Further, OET has

developed a continuous program which measures the impact on the civil transportation system resulting from both civil and military services demands, and the capacity of other systems to meet these demands.

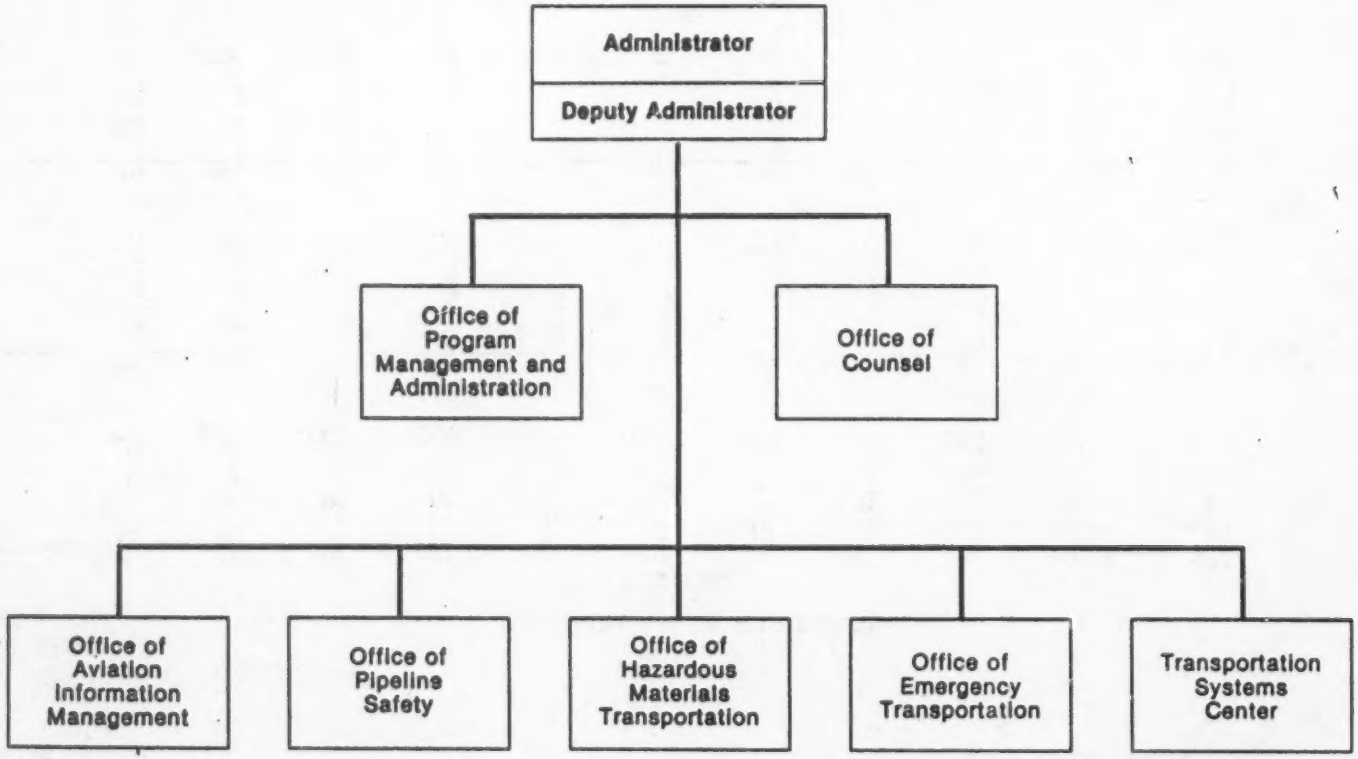
DOT is requesting FY 1987 operations funds in the amount of $731,750 to support this activity and research and development funds in the amount of $230,000.

Communications and Radionavigation (Telecommunications) - RSPA is responsible for coordinating U.S. radionavigation systems; assessing the civil use of the Global Positioning System (GPS) which is currently being used for military navigation purposes and exploring alternatives to GPS for civil use. The DOT is requesting $450,000 in research and development funding for FY 1987. FY 1986 funding resulted in the completion of public hearings of the current Federal Radionavigation Plan and testing for the GPS. FY 1987 funding will emphasize total integration of the system.

Statistics Data and Information - RSPA has the responsibility within DOT for the development, collection, analysis, and dissemination of technological, statistical, economical, safety, and other types of transportation data. $150,000 was requested in FY 1987.

That completes my testimony in support of RSPA's FY 1987 appropriation request.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION



SAFETY STATISTICS BY MODE BY REPORTING YEAR

INCIDENTS

MODE	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985*
Air	137	152	90	130	231	214	233	160	97	66	104	89
Highway	7,612	9,891	10,772	14,250	16,548	15,978	14,984	7,704	5,647	4,829	4,307	4,720
Railway	616	676	982	1,500	1,191	1,215	1,327	1,131	831	851	963	818
Water	26	32	13	50	47	34	42	7	9	13	11	7
Freight Forwarder	2	6	11	20	3	2	1	3	6	1	120	261
Other	13	12	21	0	0	11	28	38	3	0	7	5
TOTALS	8,406	10,769	11,889	15,950	18,022	17,324	16,113	9,063	6,593	5,761	5,512	5,900

FATALITIES

MODE	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Air	4	0	0	0	0	0	0	0	0	0	0	0
Highway	18	27	16	31	20	18	17	27	12	8	6	11
Railway	10	0	2	1	26	0	2	0	0	0	0	0
Water	0	0	0	0	0	0	0	0	0	0	1	0
Freight Forwarder	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
TOTALS	32	27	18	32	46	18	19	27	12	8	7	11

INJURIES

MODE	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Air	5	6	4	5	43	13	8	7	0	0	12	-
Highway	281	482	617	907	594	697	481	397	93	122	140	-
Railway	398	96	198	233	482	228	129	221	36	69	69	18
Water	17	2	1	0	10	1	1	0	1	0	18	6
Freight Forwarder	4	15	0	0	1	0	1	0	0	0	3	0
Other	0	31	0	0	0	2	2	18	0	0	0	1
TOTALS	705	633	820	745	1,130	941	622	643	130	191	242	0
												45

DAMAGES ($'s)

MODE	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Air	4,311,706	9,139	20,312	26,646	6,834	30,312	12,646	6,660	21,001	51,375	554,326	9,07
Highway	4,774,136	5,602,616	5,674,343	8,628,631	11,259,906	8,923,269	7,323,628	12,673,681	11,409,130	9,052,062	13,352,817	12,912,884
Railway	11,963,163	1,481,995	2,294,633	7,815,243	6,848,369	5,781,500	2,836,030	2,652,827	4,083,193	2,590,747	3,376,817	13,088,93
Water	20,117	6,331	5,270	18,258	17,912	30,369	507,427	53,045	50,000	80,088	513,517	6,48
Freight Forwarder	6	3,345	405	331	160	0	100	6,300	33	200	10,023	13,94
Other	13,035	182	3,788	9,700	0	3,100	29,366	69,108	200	16,500	975	58
TOTALS	21,110,159	7,103,628	7,999,173	16,500,889	18,133,176	14,772,343	10,707,037	15,461,621	15,550,541	11,791,572	17,808,475	26,031,91

APPENDIX C1

SUMMARY OF GAS PIPELINE ACCIDENTS AND CASUALTIES REPORTED FROM 1974-1985 AS REQUIRED BY 49 CFR PART 191

	Distribution			Transmission and Gathering			Total		
Report Year	Failures	Fatalities	Injuries	Failures	Fatalities	Injuries	Failures	Fatalities	Injuries
1974	1,017	20	314	460	4	20	1,477	24	334
1975	979	8	230	394	6	17	1,373	14	237
1976	1,036	53	319	543	10	47	1,579	63	366
1977	1,530	29	420	466	7	30	1,996	36	450
1978	1,555	20	320	533	11	86	2,088	31	406
1979	1,520	33	313	450	12	93	1,970	45	406
1980	1,467	9	269	529	2	41	1,996	11	310
1981	1,128	10	73	495	6	6	1,623	16	79
1982	1,191	20	223	520	11	41	1,711	31	266
1983	1,127	10	220	453	2	25	1,580	12	245
1984	747	26	189	255	9	40	1,002	35	229
1985	204 *	20	94	127 *	6	12	331 *	26	106

NOTE: *On May 3, 1984, regulations were adopted which changed the definition of "incident" as follows: eliminated the requirement to report when taking any segment of a transmission pipeline out of service; eliminated the requirement to report if gas ignited; increased the level of estimated property damage from $5,000 to $50,000.

APPENDIX C2

SUMMARY OF LIQUID PIPELINE ACCIDENTS AND CASUALTIES FROM 1974 TO 1985

Year	Failures	Fatalities	Injuries	Total Commodity Loss (bbl.)
1973	273	7	10	377,672
1974	256	10	6	292,001
1975	254	7	17	318,278
1976	212	5	4	249,690
1977	237	3	15	224,795
1978	256	3	10	280,794
1979	251	4	13	548,669
1980	219	3	12	289,445
1981	239	5	32	214,384
1982	200	1	6	221,411
1983	161	6	9	384,670
1984	203	0	19	292,126
1985	190	5	18	184,899

Mr. LEHMAN. OK. I am not trying to push you but we always have time constraints around here, as you do, too.

SAFETY REVIEW TASK FORCE

Mr. LEHMAN. As you know, the Secretary's special Safety Review Task Force, which is reviewing the safety programs of each operating administration, recently issued its report on the RSPA hazardous materials programs.

We will discuss some of the specific findings of that report this morning, but the general conclusion of that report is, and I quote: "In view of RSPA's responsibilities and size, it has done an adequate job of keeping pace with the regulated industry." Unquote.

We interpret this to be a lukewarm, "half-good, half-bad", kind of assessment. Is that your assessment as well?

How good of a job has RSPA done in the last 10 years in regulating hazardous materials?

Ms. DOUGLASS. Well, I really do not think it is lukewarm. I think that our goal is to provide for an adequate level of safety in hazardous materials transportation. That is the Congressional standard that was set, and I believe that we have done that. In the last 10 years we have set up a comprehensive hazardous materials transportation program, including rulemaking, enforcement, training of State and Federal people; education; and community assistance.

This has resulted in safer hazardous materials transportation for our country. I will be glad to submit for the record a more complete list of the things that we have done over the last ten years, such as issuing 154 final rules, and that sort of thing.

Mr. LEHMAN. An "adequate" record is not good enough in an area like hazardous materials where the margin for error is so small and where one accident can cause a disaster of world-wide significance, such as Bhopal.

"Adequate" is just another adjective, and I guess you would like to see that changed from "adequate" to "excellent." How much money would that cost? Don't answer that question.

[Laughter.]

Mr. LEHMAN. But it will take additional funds. We tried to pin the Coast Guard down on the word "adequate funding" for what they were trying to do. They would not respond. They said "we will serve." And I suppose, in some ways, that is what you would have to do, too, under the restrictions of Gramm-Rudman.

Ms. DOUGLASS. Well, yes; let's leave it at that.

Mr. LEHMAN. Okay.

SAFETY REVIEW TASK FORCE REPORT

Mr. LEHMAN. Please provide for the record a copy of the Safety Review Task Force report.

[The information follows:]

SAFETY REVIEW TASK FORCE
REPORT ON THE HAZARDOUS MATERIALS PROGRAM OF THE RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

February 1985

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I. INTRODUCTION

Rapid and significant changes in the transportation environment resulting from technological advances and economic deregulation have raised concern whether the new environment created by these changes could result in a reduction in safety. To determine if this concern was valid and to ensure that safety would not be compromised, the Secretary of Transportation established a Safety Review Task Force with the mandate to review and analyze the safety programs of each operating administration within the Department. This report reflects the results of the Task Force review with respect to the hazardous materials program of the Research and Special Programs Administration (RSPA).

A. Overview

The Research and Special Programs Administration is a small agency responsible for regulating and enforcing the proper identification and containerization of hazardous materials in transport, and for maintaining a central reporting system and data center that provide police and fire officials with information necessary for dealing with hazardous materials transportation emergencies. The universe of hazardous materials covered by RSPA regulations is very large. RSPA maintains a hazardous materials list that contains 3,057 entries, up by about 200 entries since 1980.

RSPA's regulations extend from bulk shipments of high hazard materials (such as ammonia, chlorine, or gasoline) by rail tank car or truck cargo tank to small packaged items (such as nail polish, aerosol cans of whipped cream, and butane-filled cigarette lighters). RSPA's regulations on compressed gas containers address consumer items (such as propane cylinders used in home barbecues, scuba diving tanks, and pressurized automobile bumpers) as well as industrial and commercial cylinders (such as the oxygen cylinders used in hospitals and jet liners, and small control devices used in missile systems). The explosives regulations apply to military munitions (such as bombs and missiles), as well as to toy pistol caps and consumer fireworks. Though few would perceive some of the smaller items as dangerous devices, in the aggregate they can pose a significant risk in transportation, such as a freight container of more than 500,000 butane lighters. RSPA also regulates the transport of radioactive materials and hazardous wastes.

An estimated four billion tons of hazardous materials are shipped every year in the U.S. It is estimated that the number of hazardous materials shipments will increase from 250,000 per day in 1984 to 500,000 per day by the late 1980s. The safety record for the transportation of hazardous materials is quite good; the number of accidents and fatalities that result from hazardous materials incidents each year is very low. RSPA's Annual Report

on Hazardous Materials Transportation for Calendar Year 1984 states that hazardous materials transportation-related incidents have declined significantly from 9,063 in 1981 to 5,512 in 1984. Similarly, fatalities have dropped from 27 in 1981 to 7 in 1984. But such statistics should not lead to complacency. A 1983 Transportation Research Board Report describes the problem with relying on hazardous materials accident figures:

> The total number of fatalities resulting from hazardous materials transportation accidents is very small in comparison with other transportation-related fatalities.... Although these figures indicate the relative safety of hazardous materials transportation, the growth in the transportation of hazardous materials and the severe potential of a single hazardous materials accident must be carefully considered to frame the problem properly.

In view of RSPA's responsibilities and size, it has done an adequate job of keeping pace with the regulated industry. Over the last 10 years, RSPA has assumed new regulatory responsibilities pertaining to hazardous wastes and substances, has initiated alternative methods for enforcing regulations through state cooperation, and has participated in the enormous task of establishing international standards for packaging and shipping hazardous materials. Most of this has been accomplished without public appreciation of its importance, and with minimal resources.

Public awareness of the risks involved in hazardous materials transportation and the demand for a strong federal presence are increasing. The Task Force believes RSPA's programs deserve increased attention and priority. The Office of the Secretary can do much to assist RSPA in attaining a stronger, clearer program by further supporting RSPA as the lead agency responsible for hazardous materials transportation issues within the Department.

B. Historical Perspective

The explanation for RSPA's current program lies in the history of federal involvement in hazardous materials regulation. The Coast Guard was one of the first agencies responsible for implementing regulations concerning the carriage of explosives, flammables, and acids by water. Land transportation was first addressed in the 1908 Transportation of Explosives Act, which charged the Interstate Commerce Commission (ICC) with issuing safety regulations regarding the packing, marking, loading and handling of explosive materials.

The ICC hazardous materials regulations were developed through the issuance of special permits. These permits were issued on a product-by-product, container-by-container, procedure-by-procedure basis. Each time a new product or a new package design was developed, the industry would petition for a special permit to cover the new condition. The terms of the special permit would

often later be incorporated into the regulations, which were therefore detailed and specification-oriented, rather than performance-oriented. The ICC rarely, if ever, developed regulations through in-house analysis or research. Special permits long provided the main source of experience and information for development of the ICC standards.

This regulatory method is time-consuming and labor-intensive. The ICC eventually enlisted the assistance of the Association of American Railroads (AAR) Bureau for the Safe Transportation of Explosives and Other Dangerous Articles ("Bureau of Explosives"), which set standards for shipping hazardous materials by rail. Over time, the ICC delegated hundreds of regulatory responsibilities to the Bureau of Explosives. The ICC also used the services of the AAR Tank Car Committee to establish standards for tank cars.

The safety regulatory functions of the ICC were transferred to the Department of Transportation by the 1967 Department of Transportation Act. Hazardous materials responsibilities of the ICC were split, pursuant to the transfer legislation, among the operating administrations, with each being granted the authority to issue its own regulations. 1/ Faced with the potential of having each operating administration issuing different regulations on the classification, labeling, and packaging of hazardous materials, the Secretary created the Hazardous Materials Regulations Board (HMRB) in the Office of the Secretary to assure that such regulations were consistent and adopted under the same procedures.

The Hazardous Materials Control Act of 1970 required the Secretary to establish a technical staff capable of evaluating the hazards involved in the transportation of hazardous materials; to establish a central system to provide technical advice to law enforcement and firefighting personnel involved in meeting hazardous materials emergencies; to review all aspects of transportation of hazardous materials and determine what could be done immediately to improve safety; and to report to Congress annually on transportation of hazardous materials.

The Hazardous Materials Transportation Act of 1974 (HMTA) eliminated the operating administrations' authority to issue their own hazardous materials regulations (with the exception of regulations pertaining to bulk transportation by water, which

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1/ For the purposes of this report, the "operating" or "modal administrations" are the Coast Guard, the Federal Aviation Administration, the Federal Highway Administration, and the Federal Railroad Administration.

remained a Coast Guard responsibility); established Secretarial authority to require the registration of shippers, carriers, and container manufacturers; and permitted the Secretary to issue regulations concerning the manufacturers, testers, and reconditioners of containers used in transportation.

The Secretary thereupon created the Materials Transportation Bureau (MTB) to implement the HMTA. It was charged with issuing all the Department's hazardous materials regulations except those relating to bulk transportation by water. Inspection and enforcement authority for the hazardous materials program, however, was retained in the operating administrations for shipments of materials within their respective modes.

RSPA was established as a new operating administration in 1977 by combining the Transportation Systems Center (TSC), the Transportation Safety Institute (TSI), the MTB, and several other Departmental elements. The MTB was responsible for pipeline safety and hazardous materials functions. It had 111 authorized positions. Today it has 114. 2/ At that time, many of the ICC delegations to the AAR were still in effect. RSPA retracted most of them in the late 1970s and early 1980s. However, the AAR Tank Car Committee still exercises approval authority over the design and construction of tank cars and the Bureau of Explosives still plays a major role in testing and examining explosives for RSPA (see Exhibit 1-1).

Today RSPA continues to regulate, for the most part, by issuing exemptions from its regulations, just as the ICC issued special permits, and dedicates a large portion of staff time to that process. The Task Force believes that in the 10 years since its inception, RSPA has not made adequate progress toward extricating itself from the regulatory quagmire that it inherited from the ICC.

C. Other Reports and Studies

There have been a number of reports and studies of RSPA's hazardous materials program, including:

- The Report of the Hazardous Materials Transportation Task Force, September 1978 ("1978 Task Force Report").

2/ RSPA recently underwent a reorganization that dissolved the MTB and established an Office of Hazardous Materials Transportation and an Office of Pipeline Safety. The Directors of these offices report directly to the RSPA Administrator. This reorganization does not affect the Task Force's recommendations.

- "Hazardous Materials Transportation: A Review and Analysis of the Department of Transportation's Regulatory Program", by the Committee on Commerce, Science, and Transportation, United States Senate, 1979 ("Cannon Report").

- "Programs for Ensuring the Safe Transportation of Hazardous Materials Need Improvement", a report by the Comptroller General of the United States, November 4, 1980 ("1980 GAO Report").

- "Transportation of Hazardous Materials: Toward a National Strategy", report of the Transportation Research Board, National Academy of Sciences, 1983 ("1983 TRB Report").

Many of the most important recommendations of these reports have not yet been implemented, most notably that:

- hazardous materials regulations should be improved by the adoption of performance-oriented standards where feasible;

- hazardous materials data collection systems should be strengthened and centralized;

- priorities should be established, and more resources should be devoted to rulemaking and enforcement activity; and

- guidelines should be developed for fostering uniformity in regulatory interpretation, and inspection and enforcement efforts.

The Task Force agrees with many of the recommendations that have been made in previous reports and has examined the reasons why RSPA has been unable to implement many of them. A number of new recommendations are also included in this report.

D. Methodology

The methodology employed by the Task Force for its review included analyses of all available documentation pertaining to RSPA hazardous materials programs including reports prepared by the General Accounting Office (GAO), the National Transportation Safety Board (NTSB), the DOT Office of the Inspector General (OIG), and numerous other entities. The Task Force conducted several meetings and interviews with RSPA personnel and, in some cases, Task Force staff interviewed every person in a particular office. The Task Force also held several meetings with shippers, carriers and manufacturers of hazardous materials, representatives of local governments, public interest groups, and law enforcement and fire officials.

In the course of its review, the Task Force encountered concerns about the coordination of hazardous materials responsibilities within the Department. It convened meetings of hazardous materials personnel from the Department's operating administrations and with representatives of other federal agencies. These meetings resulted in the formation of ad hoc working groups on enforcement and emergency response. The recommendations of the working groups are contained in this report and identified as such.

This report addresses the following areas: Hazardous Materials Regulatory Activity; Compliance and Enforcement; Emergency Response; Registration; and Data Base. The Task Force has made a number of recommendations in each of these areas that should result in improvement in RSPA's hazardous materials program.

Although the Task Force conducted a brief review of RSPA's pipeline safety program, this report does not include pipeline safety recommendations. Because of the growing sensitivity to hazardous materials issues and problems, the decision was made to focus solely on RSPA's hazardous materials program.

II. REGULATORY PROGRAM

The 1978 Task Force found that:

> RSPA has a backlog of more than 300 petitions for rulemaking actions. In addition, each year RSPA receives an average of 70 new petitions and proposals for substantive rulemaking.... Many rulemaking actions have been published ... and have remained as open dockets for years.... (1978 Task Force Report, pages 13-14)

The problems noted by the 1978 Task Force have been identified repeatedly by other entities, and most remain today. The 1984 statistics for RSPA indicate that it still had a backlog of 300 petitions for rulemaking. RSPA does not actively keep track of how long petitions for rulemaking sit before being acted upon. Many rulemaking actions still take a number of years to complete. Exhibit 2-1 summarizes the current rulemaking docket, along with a tally of how long each particular docket has been open.

The regulatory personnel in RSPA are responsible for issuing detailed regulations pertaining to the classification, placarding, and packaging of hazardous materials that travel by rail, air, highway, and water. In addition, they issue exemptions from the regulations and grant approvals for industry to conduct certain regulated activities. They are responsible for participating in the international standard setting process, for research and development activity, and they serve as Departmental contacts with other federal agencies such as the Environmental Protection Agency (EPA). RSPA has approximately 28 professional staff persons in regulatory activities, including standards, technical, approvals, and exemptions personnel. These personnel were responsible for 8,437 regulatory actions in 1984, including granting exemptions from the regulations, issuing interpretations of the regulations, granting approvals, and issuing rules.

Each time a new exemption application is received, exemptions personnel make sure the application is complete and submit the proposed exemption request to the Federal Register for public comment. Technical personnel review the accompanying safety documentation and comments from the public to determine whether the exemption provides a level of safety equivalent to the regulatory requirements. This determination and all of the effort that goes into it initially applies to only one member of the regulated population. RSPA has three chemists, four mechanical engineers, one chemical engineer, and two physicists to accomplish this task.

The exemptions process provides RSPA with a major source of information about new products and changing technology. It provides an alternative to costly in-house research and development efforts. RSPA's regulations are often amended based on favorable exemptions experience. Exemptions also provide relief to the industry when new technology provides a more effective method for packing or shipping a material. Therefore, the process itself is necessary, and even desirable.

The exemptions process is, however, time-consuming. In 1978, MTB spent 82% of its professional staff time on exemptions; in 1979, 45% of its staff time was dedicated to exemptions; and the Cannon Report estimated that 20% would be expended on exemptions once the regulations for cryogenic tanks and intermodal portable tanks were issued. Both of these rules have since been issued. We estimate, based on staff interviews, that approximately 25% of staff time is being spent on exemptions today. Although the time spent on this activity is decreasing, the exemptions process still demands a significant amount of professional staff time. The Task Force estimates that as much professional staff time is dedicated to exemptions activity as to critical rulemakings.

RSPA's regulatory staff is also responsible for granting approvals. The regulations require that an approval be obtained prior to conducting a number of regulated activities. For example, prior to shipping explosives, a shipper must obtain RSPA's approval of the shipping description and hazard classification. Some portions of the regulations require approvals that entail an on-site review of the plant manufacturing process and safety procedures. The approval of a plant can take anywhere from one day to a week, depending on the facility and experience level of the manufacturer. This inspection activity is conducted by regulatory personnel rather than enforcement personnel.

Since a great deal of criticism has been directed at RSPA's regulatory method and classification scheme, the Safety Review Task Force closely scrutinized this particular aspect of RSPA's operations. The Task Force recommends that RSPA consider dedicating additional personnel to rulemaking activity, as well as adjusting and reprioritizing existing staff activity. The following sections on regulatory planning, performance-oriented standards, adequacy of the classification system, coordination with EPA, and management issues relate to RSPA's regulatory program and how current operations might be improved through staffing additions or adjustments and adoption of management controls and procedures.

A. Regulatory Planning and the Need for Prioritization

RSPA prepared regulatory plans for 1979-80 and 1981-82, but these plans were not effectively utilized. Only one person questioned on the present Office of Hazardous Materials Regulation (OHMR) staff was knowledgeable about the 1979 and 1981 plans.

The representatives of the hazardous materials community with whom the Safety Review Task Force met agreed unanimously that RSPA should establish regulatory priorities and schedules. Many groups noted that a petition for rulemaking may sit unaddressed for as long as 10 years with no indication from the agency as to its priority or importance. This uncertainty as to regulatory action is costly for the industry and the public. For example, earlier this year the industry began holding up orders for cargo tanks in anticipation of new requirements to be set out in the RSPA cargo tank rule. The ANPRM for cargo tanks was published in June 1982 and the NPRM in September 1985. RSPA took 3 years to issue the NPRM and it is difficult to predict how long it will take to issue a final rule.

The development and use of a regulatory plan would correct many of these problems and would serve as a management tool by establishing direction for staff. A common request from staff within RSPA was that they needed a better overall picture of priorities. Considering the daily demands that are placed on RSPA staff, the Task Force agrees that there is a need for establishing priorities.

As mentioned above, RSPA's rulemakings often take a number of years to complete. Much of the technical data that RSPA relies on from industry is therefore out of date by the next Federal Register publication. This method of regulating is partially caused by lack of depth and resources within RSPA to conduct the research and development activity necessary for substantive and technical rulemakings. Another explanation is that the agency does not conduct advance regulatory planning.

The Task Force recognizes that this analysis and prioritization will itself impose significant management and resource utilization requirements on RSPA, and may take several months to complete. However, we believe these demands will be far outweighed by the long term benefits of the effective use of a regulatory plan and schedule.

B. Performance-Oriented Standards

The regulations that were developed through the ICC special permit approach were detailed and specification-oriented rather than adaptable to changing requirements or performance-oriented. This method of regulating has added to the volume of regulations, affected voluntary compliance efforts because the regulations are too complex and detailed, and led to the proliferation of exemption requests from the industry.

RSPA received 1395 applications for exemption in 1984. Of these, 134 were new exemptions, 1131 were renewal applications or party status exemptions 3/, and 44 were emergency exemptions. RSPA denied only 30 applications for exemptions in 1984. On the average, the exemptions denial rate runs at about 5% of total applications. RSPA granted over 98% of the exemption applications in 1984. The 5% exemptions denial rate means 95% of all applicants are able to demonstrate an equal or better way of packaging or transporting shipments than indicated in the regulations.

Many of the reports on RSPA have recommended the adoption of performance-oriented standards, where feasible, as a means of encouraging innovation on the part of the industry and of reducing the amount of staff time spent on exemptions activity. Performance-oriented standards are not new. For example, radioactive materials have essentially been subject to performance-oriented packaging standards since 1962. RSPA has had a rulemaking underway for over three years to make progress on similar standards for the rest of the program. The proposed rulemaking, HM-181, "Performance-Oriented Packaging Standards," (47 F.R. 16268, April 15, 1982) is intended to simplify and reduce the volume of regulations (eliminating over 300 pages at last estimate), provide greater flexibility in design and packaging requirements, reduce the need for exemptions, and facilitate international commerce.

HM-181 is critical to improving RSPA's method of operation. Once published, it will free substantial staff time that is now spent on exemptions and telephone or interpretation activity. In fact, the preamble to the ANPRM on HM-181 notes that over 50% of staff time is currently spent on telephone or written explanations of the regulations. The adoption of performance-oriented standards would permit industry innovation without the paperwork and administrative burden of the exemptions process on both the industry and RSPA, and would serve to simplify the regulations.

In addition, the adoption of HM-181 is critical to international trade. The performance-oriented requirements that RSPA has proposed to adopt in HM-181 were developed over the last 15 years by the United Nations Committee of Experts on the Transport of Dangerous Goods. It is anticipated that within the next five years our trading partners will have adopted these packaging standards. Thus, without a change in RSPA's current requirements, hazardous materials shipped in conformance with our regulations would not be accepted in other countries and shipments from other countries would not be accepted here.

3/ A party status exemption may be obtained by requesting permission to ship or package in accordance with a preexisting exemption. The party making the request becomes a party to an existing exemption.

The ANPRM for HM-181 was published in April 1982. The NPRM is scheduled to be published by the end of 1986. The target date for final rule publication is 1988. Thus, RSPA has slated six years from inception to completion for this critical rulemaking. Considering HM-181's importance, the Task Force anticipated that a substantial amount of staff resources would be dedicated to it. Yet, at all times during the Task Force review, no more than two persons were working on HM-181 -- and they were only dedicating half of their time to this activity. HM-181 will require a redraft or simplification of almost all sections of the Hazardous Materials Regulations (HMR). Clearly, more staff resources need to be dedicated to this rulemaking.

C. Adequacy of the Classification System

Hazard identification and packaging requirements for materials are determined by hazard classification. RSPA has established a hazard classification system based primarily on the following hazard classes: explosives, compressed gasses, flammable liquids, flammable solids, oxidizers, corrosives, poisons, radioactive materials and other regulated materials (ORMs). RSPA maintains a listing of known hazardous materials with their hazard classifications and packaging requirements in the Code of Federal Regulations. For unclassified or newly developed chemicals, the regulations provide class definitions that describe the characteristics of materials within a particular hazard class. The regulations place the responsibility on the shipper for identifying a material's hazard class, and then assuring that it is properly packaged for a material of that class.

A number of concerns have been raised about the adequacy and accuracy of RSPA's hazard classification system. Shortly after the Bhopal incident, the NTSB expressed concerns that toxic chemicals that pose multiple hazards, such as methyl isocyanate, which is both a flammable liquid and a poison, were not adequately addressed by the classification and packaging system. RSPA largely agreed with NTSB, and issued an NPRM and final rule (49 C.F.R. Parts 172 and 173) on an emergency basis that required new packaging and more stringent placarding requirements for toxic liquids that pose inhalation hazards.

Other problems have been raised with the system. The NTSB has recommended that the agency conduct safety analyses or risk assessments to determine the proper classification of materials. RSPA disagrees with NTSB and maintains that it does conduct a safety analysis or an examination of the data submitted by industry when a new chemical is requested to be included on the hazardous materials table.

Most of the constituent groups agreed that the current classification system is adequate. They stated that many problems could be corrected with "fine tuning" to the present system. However, they also indicated that RSPA's classing system should take better account of "transportation accident environment risks"

and the "secondary risks" associated with transporting hazardous materials. Secondary risks or accident environment risks require consideration of the fact that accidents can escalate the hazards of substances, such as the accidental placement of water on a material that may vaporize into a poisonous cloud. Other risks posed in a transportation environment include those associated with vibration or punctures that can damage the packaging or container in which a material is being transported.

There are a number of general observations that the Task Force can make about these concerns. First, the terms "safety analysis", "secondary risks", "risk assessment", and "risks associated with an accident environment" are not well defined within RSPA or in the industry it regulates. Second, it is generally agreed that RSPA does not, and will not, have the resources to conduct risk assessments for every material transported in commerce. Third, the agency has under way several studies and research and development efforts aimed at improving the definitions and hazard classifications for such materials as explosives and flammable solids.

However, the Task Force does not believe that RSPA is doing all that it can to address the various concerns about its classification system. HM-181 will propose the adoption of a new hazard classification system based upon the U.N. system, and many constituent groups expressed concern that RSPA might not exercise its discretion to improve upon the U.N. system if such improvement is deemed necessary. Since HM-181 represents a major agency undertaking, and will likely result in the adoption of a new or revised classification system, the Task Force recommends that the following questions be addressed by RSPA as part of, or simultaneously with this rulemaking:

1. Whether the proposed U.N. classification system adequately addresses "risks posed in an accident environment", or "secondary risks."

2. Whether the proposed U.N. packaging system adequately addresses "transportation risks" such as vibration and puncture factors.

3. If the U.N. system does not adequately address these risks, what can be done to improve upon the system without endangering U.S. compatibility with international regulations?

D. Coordination with EPA

The Clean Water Act and Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) gave EPA the authority to regulate hazardous substances. EPA also regulates "hazardous wastes" pursuant to the Resource Conservation and Recovery Act (RCRA). In general, EPA regulation of these substances is intended to protect against the long-term public health and

environmental damages caused by a release. RSPA regulates many of the same substances, with primary emphasis on protection against hazards arising in the transport of the materials.

Many of the private sector groups stated that there is a need for better coordination between EPA and DOT. They believe that there is a lack of consistency and lack of communication between the two agencies. They noted that the different testing procedures often used by the two agencies for classifying materials create confusion. In addition, they claimed that many of EPA's programs are eclipsing DOT's in terms of resources and authority. There was a general sense that the two agencies often duplicate efforts and fail to tap the existing expertise of the other agency. A considerable amount of technical information and overlapping policy decisions are not being freely exchanged or coordinated by the two agencies.

RSPA has made substantial efforts to improve coordination with EPA. Most importantly, the Secretary has appointed the RSPA Administrator to represent the Department, along with the Coast Guard, on the National Response Team (NRT). These efforts aimed at increased coordination should continue. In addition, formal procedures aimed at improving coordination should be established. Such procedures should also facilitate the exchange of technical expertise between the two agencies.

E. Management Issues Affecting the Regulatory Program

The Task Force identified several management initiatives that could be implemented within RSPA to assist in better utilizing existing regulatory staff.

1. Allocation of Staff Time

Rulemaking personnel rarely have uninterrupted periods of time to spend on a single activity during the day. Some regulatory personnel spend as much as half their time responding to telephone inquiries. This makes the task of drafting complex and technical rules difficult. Although responding to public inquiries is important, we believe that staff time currently spent on telephone inquiries is directly affecting the timeliness of major rulemakings. RSPA should attempt to alleviate this problem through staff assignments or rotating responsibility for responding to telephone inquiries.

2. Uniform Interpretation of the Regulations

The industry representatives were concerned about the lack of uniformity in both oral and written interpretations and in the enforcement of the regulations by RSPA, other DOT operating administrations, and state personnel. It was noted that differing interpretations are often orally solicited from the various branches or divisions within the agency itself. This problem can be corrected through implementation of better management controls.

In order to achieve uniformity, controls must be imposed on the number of personnel authorized to deliver interpretations and the advice that they render. In addition, RSPA should reassert its clear and exclusive authority to issue written interpretations. Although RSPA may wish to enlist the operating administrations in drafting written interpretations, RSPA should remain the sole issuer of these interpretations. If RSPA continues to permit the operating administrations to assist in issuing oral or advisory interpretations, controls must be imposed on the advice being rendered.

Once management controls are in place for issuance of interpretations, RSPA should make efforts to distribute or communicate them to the regulated public. The industry groups requested that RSPA consider issuing a digest of the most commonly requested interpretations or that it catalog and make interpretations accessible to the public via computer.

3. A Second Team

The constituent groups also indicated that RSPA lacks a "second team" or the depth of staff to carry on in the event that key personnel retire or leave the agency. In some areas, especially the technical ones, there are a number of personnel nearing retirement, and no one is adequately trained to take their place. A more conscious effort must be made to train personnel in more than one area of expertise.

Recommendations:

Most recommendations in this chapter require consideration of personnel resources. In some instances personnel adjustments within the Office of Hazardous Materials will address the problem, in other instances the allocation of additional personnel will be necessary. Many of these recommendations can be accomplished through the implementation of better management controls and better prioritization of agency goals and objectives. However, the Task Force believes that in order to effectively carry out its mission RSPA must allocate approximately 5-10 additional personnel to the regulatory area.

1. RSPA should immediately begin to issue periodic regulatory planning documents that list rulemakings in order of importance and identify resource and staffing requirements and schedules for completion.

2. Since HM-181, Performance-Oriented Packaging Standards, is an important rulemaking, with substantial promise of improving current agency operations and simplifying the hazardous materials regulations, RSPA should place priority and dedicate additional staff resources to it.

3. RSPA should address, as part of or prior to issuance of a final rule on HM-181, questions regarding whether its classification system adequately addresses the various risks that are posed in transporting hazardous materials.

4. RSPA should continue to improve coordination with EPA. Formal procedures aimed at improving coordination between the two agencies should be established in order to encourage better technological exchange between the two agencies.

5. General Management Initiatives:

- Rulemaking staff assignments and priorities should be made to assure that actual regulatory drafting has priority, and to ensure that staff have adequate uninterrupted periods of time to work on rulemaking activity.

- In order to promote uniformity, controls should be placed on the number and type of interpretations being delivered by the agency. RSPA should reassert its exclusive authority for issuing written interpretations of the regulations.

- RSPA should make written interpretations of the regulations more accessible to the public and should catalog or digest current interpretations for distribution.

- RSPA should attempt to train personnel in more than one area of expertise and ensure that backup personnel are available.

III. COMPLIANCE AND ENFORCEMENT

The 1978 Task Force Report states with regard to the Department's hazardous materials enforcement programs,

> There is a need for continued refinement and coordination of the Department's compliance programs. Better information, increased intermodal communication, and development of enforcement aids can strengthen hazardous materials compliance efforts (1978 Task Force Report, page 46).

For the most part, the Safety Review Task Force believes that these recommendations are still valid.

A. RSPA's Enforcement Responsibilities

Contrary to what one might expect from their job title, RSPA's "intermodal inspectors" do not generally follow hazardous materials shipments as they are exchanged from one mode of transport to another. Their principal functions are to enforce RSPA's packaging and containerization requirements and to monitor exemptions from them. Thus, they principally inspect container manufacturers, multimodal shipper facilities, and other fixed facilities. The scope of their responsibilities is broad; there are as many as 150 types of containers for which they have some enforcement responsibility, including glass carboys, polyethylene drums, high and low pressure cylinders, metal drums, reinforced steel boxes, wooden boxes, fiberboard boxes or drums, paper or burlap bags and 5,000-gallon intermodal tanks.

Inspectors from the operating administrations also enforce hazardous materials regulations. The Coast Guard is responsible for shipments of hazardous materials by water, including the issuance and enforcement of bulk shipping regulations; FAA is responsible for shipments by air; FHWA is responsible for shipments by highway, including the manufacture and testing of containers used in bulk transportation by highway; and FRA is responsible for shipments by rail, including the manufacture and testing of containers used in bulk transportation by rail.

The 1979 Cannon Report identifies the importance of maintaining compliance by shipper and container manufacturers in the hazardous materials transportation chain in the following manner:

> Safety starts with the shipper, because safety in transportation depends on proper preparation of the material for transportation. The shipper is required to (1) determine the hazard class of the material, (2) choose a container that is appropriate for that classification.... [P]erhaps the most important aspect

> of transporting hazardous materials is containment, because a hazardous material seldom does any damage so long as it stays in the container. To this end, the quality of the container is of prime importance (Cannon Report, page 83).

RSPA's inspectors are also responsible for monitoring the implementation of exemptions. This monitoring is important because the safety analysis done before granting an exemption is based on the specific conditions or method of packaging stated in the exemption request. If an exemption holder does not observe conditions of the exemption, the integrity of the packaging or safety of the public may be threatened.

The Cannon Report indicated as early as 1979 that the RSPA inspector workforce was "not large enough to adequately inspect the manufacturers of containers and the intermodal shippers of hazardous materials." Although no accurate figures exist, it is generally recognized that hazardous materials shipments have increased over the last six years. Current figures indicate that RSPA's inspectors are responsible for as many as 30,000 shippers of hazardous materials at 100,000 locations, as well as 7,000 container and cylinder manufacturers, retesters, reconditioners and rebuilders. RSPA reports that some cylinder manufacturers and shippers have never been inspected. Thus, in the ten years since passage of the HMTA, the enforcers are still working on the first "sweep" of the regulated population.

Even though shipments have increased, the RSPA inspector workforce, as well as person-hours dedicated to hazardous materials inspection activity, have actually decreased. RSPA had nine intermodal inspectors in 1979. In 1984, RSPA had seven full-time and one part-time inspector. Of the seven, only five conducted substantial inspection activity over the last year (see Exhibit 3-1).

The Department of Transportation proposed an additional seven inspectors for the Office of Hazardous Materials Enforcement in its FY 1985 budget. Three positions were added in the Department's FY 86 Appropriations Act. The Task Force believes that the addition of four more enforcement personnel would result in more effective performance of RSPA's enforcement responsibilities.

The Task Force recognizes that RSPA's successful enforcement of the hazardous materials regulations is dependent upon a combination of voluntary compliance, modal and state enforcement efforts, and RSPA inspection and enforcement efforts. It is unlikely that RSPA will ever have enough inspectors to police the industry on its own. The 1983 TRB Report agreed with this observation noting that, "[T]he committee's view is that the enforcement program should move toward a policy of voluntary compliance rather than the employment of sufficient numbers of inspectors to totally police the industry."

The Task Force believes that it is important that RSPA explore alternative means of enforcing the regulations and develop improved enforcement methods. The TRB Report suggested that the agency enhance voluntary compliance efforts through simplifying the regulations. The adoption of performance-oriented standards should assist in this regard. In addition, by establishing uniform inspection procedures and goals, the efficiency levels of the entire hazardous materials inspection force could be improved. Enforcement efforts could also be improved through effective targeting of inspection resources to those areas where most needed. In fact, many of the other recommendations in this report such as improved data base, limited registration, and increased cooperation with the states should also serve to improve RSPA's enforcement efforts.

B. Uniformity in Enforcement Procedures and Training

RSPA is responsible for the overall coordination of Departmental hazardous materials enforcement efforts. The constituent groups emphasized the need to establish uniform enforcement procedures and more consistent enforcement practices. Lack of uniformity and coordination between the operating administrations and RSPA is a problem. Each mode has slightly different methods of conducting inspections, training inspectors, and pursuing enforcement actions.

1. Coordination and Guidelines

The 1983 TRB Report recommended that,

> DOT should engage in a vigorous program to obtain a clear definition of roles for local, state, and federal officials engaged [in] ... enforcement of regulations (1983 TRB Report, page 5).

The Report also indicated that uniform guidelines should be provided for modal, state, and federal enforcement efforts.

A 1981 NTSB report on hazardous materials transportation by trucks found that RSPA had been unsuccessful in coordinating the modal hazardous materials program because the agency was unable to exert influence over the larger modal administrations. The report indicated a need for "clear, strong direction from the Secretary that [RSPA] is responsible for coordinating" the Department's hazardous materials enforcement program. The Task Force agrees with the recommendations of the TRB and NTSB.

RSPA must take the lead in coordinating and directing Departmentwide enforcement efforts. It should assert greater control over the coordination process and ensure that the Department uniformly interprets and enforces the regulations.

RSPA should also initiate development of uniform guidelines for modal and state enforcement activities. These guidelines would assist in meeting the concerns expressed by the hazardous materials community over inconsistency in enforcement.

Based upon the concerns about the need for increased coordination among modal and RSPA hazardous materials enforcement personnel, the Task Force held an intermodal coordination meeting attended by the Administrator of RSPA and principal enforcement personnel from each of the four relevant modal administrations. The meeting was intended to establish better lines of communication and an overall effort to better coordinate Departmentwide hazardous materials enforcement actions. An intermodal working group, chaired by RSPA, was established at that meeting, and was asked to report to the Task Force on how to better coordinate Departmentwide enforcement activities.

The working group made three major recommendations, which the Task Force adopts. First, all participants agreed that better and more easily accessible information regarding the violation histories of those entities in which more than one mode shares an interest would greatly improve intermodal enforcement efforts. Modal coordination and exchange of information regarding ongoing enforcement cases and investigations is spotty. Each mode has an enforcement data base that compiles historical information, but none of them are compatible with or easily accessible to the other modes. The current procedure for finding out about other modal enforcement action is to attend a monthly intermodal enforcement meeting or to request the information by telephone from the counterpart enforcement office.

The working group recommended the establishment of a single data system into which data can be entered by each modal group for retrieval by all at any time. The working group report also indicated that, "the difficulty with this approach centers around identification of records to be entered, the length of time to implement such a system, and the human and financial resources required to establish such a system."

The Task Force believes that efforts for improving accessibility to the modal data bases should be pursued. The working group should report to the RSPA Administrator on options for accomplishing this task. The option of compiling enforcement information on the existing RSPA data base through monthly or quarterly reports from the modes should be considered. This information could then in turn be distributed to the modes by RSPA.

The second working group recommendation was to develop procedures at the headquarters level for the coordination of enforcement action among RSPA and the modes. There are now no written procedures to determine when RSPA or an operating administration should be responsible for pursuing enforcement actions that cross modal jurisdictions. Such procedures should address modal

hazardous materials contact points on headquarters and regional levels, describe issues or matters that require coordination, and reflect agreement by the operating administrations and RSPA on enforcement jurisdiction and lead agency responsibility in the event of joint modal enforcement actions.

The third working group recommendation concerned Departmentwide coordination of information that is released to the public or press following hazardous materials incidents. The group recommended that public information offices and other management groups be made aware of the hazardous materials contact points in each mode. The Task Force recommends that the working group compile information regarding modal and RSPA contact points and provide it to each of the public affairs and other relevant offices in the Department.

2. Training

Another finding of the 1983 TRB report, as well as a concern expressed by the hazardous materials community, is the lack of uniformity in enforcement training. Each of the operating administrations prepares its inspectors for hazardous materials enforcement activity in a different manner.

The Transportation Safety Institute (TSI) offers a wide range of hazardous materials enforcement training courses for federal and state hazardous materials inspectors. There are, however, no special requirements or certification required of RSPA, modal, or state inspectors. Completion of certain courses is encouraged, but not mandatory. Lack of uniform training leads to lack of uniformity in interpreting and enforcing the regulations. To alleviate this problem, the Task Force recommends that RSPA, with the cooperation of the operating administrations, develop and implement a program to ensure that the entire DOT inspector workforce is uniformly and adequately trained. In addition, we recommend that RSPA make efforts to develop a uniform training program for state inspectors engaged in enforcing the federal regulations.

C. State Hazardous Materials Enforcement

The 1978 Task Force Report noted that if more state governments were to adopt the Department's hazardous materials regulations, the Department's inspection force could be significantly extended. The report suggested that "financial incentives could induce the states to expand [their hazardous materials] compliance programs." The State Hazardous Materials Enforcement Development (SHMED) program was established in 1981 to meet these recommendations. The program provided seed money to the states for the development of enforcement capability in return for the development, or promise to develop, state legislation that would enable state officials to enforce the Federal Hazardous Materials Regulations. The emphasis was on highway transport of hazardous materials.

The SHMED program reached 25 States over a three year period. A 700% increase in the number of inspections performed by the State of Maryland in its first two years of participation gives some indication of the success of the program. In addition, a significant number of training materials were developed through the SHMED program that have helped bring about uniformity in state inspection processes.

The program was intended only to provide seed money. Since the states that have participated in the program are eligible for continued assistance under FHWA's Motor Carrier Safety Assistance Program (MCSAP), which was established under the Surface Transportation Assistance Act of 1982, no funding was requested for SHMED in FY 86.

The Secretary recently announced that she will ask Congress for $50 million in funding for the MCSAP program and directed the Federal Highway Administration to place increased emphasis on hazardous materials transportation in its administration of the program. This increase in MCSAP funding should assure continued funding for those states that participated in the SHMED program.

We believe that FHWA's success in implementing the hazardous materials portion of the MCSAP program depends upon RSPA's participation. RSPA has developed expertise through the SHMED program that should be utilized by FHWA in implementing MCSAP. Thus, in order to assure that the SHMED states maintain hazardous materials enforcement capability, and other states develop it, the Task Force recommends that FHWA and RSPA promptly devise a plan for the hazardous materials portion of the MCSAP program. The plan should cover the degree of technical assistance to be offered by RSPA during program implementation, require consultation with RSPA on the part of FHWA and the states, and include an agreement on dedication of funding to the hazardous materials portion of the program.

Recommendations:

1. RSPA should allocate additional personnel to enforcement and should seek alternative methods for fulfilling its current enforcement responsibilities. The Task Force believes that the addition of at least four enforcement personnel, in conjunction with the development of improved enforcement methods and adoption of procedures designed to encourage voluntary compliance, should serve to improve RSPA's enforcement program.

2. RSPA should take the lead in coordinating Departmentwide hazardous materials enforcement.

3. RSPA should issue Departmentwide uniform inspection and enforcement guidelines for use by the modes and the states.

4. The Task Force concurs in the intermodal enforcement working group recommendations and further recommends that:

- The intermodal working group should report to the RSPA Administrator on options for improving the completeness and accessibility of modal enforcement data bases. This report should be completed no later than 90 days following the issuance of this report.

- RSPA should prepare procedures which establish coordination guidelines among the modes for hazardous materials enforcement activity. This document should be completed within six months of the issuance date of this report.

- The intermodal working group should compile information regarding modal and RSPA contact points and provide it to each of the public affairs and other relevant offices in the Department.

5. RSPA should develop a program to ensure uniformity in training intermodal, modal, and state hazardous materials enforcement personnel.

6. The Administrators of RSPA and FHWA should reach an agreement that fosters technical assistance and coordination between the two agencies regarding the hazardous materials enforcement portion of the Motor Carrier Safety Assistance Program, which assures that adequate funding will be focused on hazardous materials enforcement by states in the MCSAP program.

IV. EMERGENCY RESPONSE

The capability of state and local communities to respond to hazardous materials incidents has been a growing concern in recent years. Responsibility for first response to a hazardous material incident necessarily rests with the local community: the "first-responder" is usually a highway patrolman, local policeman or fireman, who is often a volunteer. Effective and immediate emergency response measures can make the difference between a minor incident and a major disaster and can save lives, prevent injuries, and minimize damage to the environment and property.

It would be difficult for local communities to develop the capacity to respond to incidents involving every hazardous material shipped through their jurisdictions. Adequate planning, however, can enable a community to assess potential risks and develop prevention and response capabilities and contingency plans. Training, which can range from the basic dissemination of information about where to turn for assistance to advanced courses in fighting major chemical fires, can facilitate effective response. Two hazardous materials incidents on Interstate highways in the Washington area in 1985 caused little significant damage, despite disaster potential. They were handled by well-trained local firefighters and police officers, who amply demonstrated the importance of their preparation.

Emergency response for hazardous materials incidents has four distinct components:

(1) effective hazard communication and information availability;
(2) contingency planning and risk assessment;
(3) training; and
(4) resources for actual response.

A. Hazard Communication and Information Availability

1. Hazard Communication

RSPA is responsible for several elements essential to adequate emergency response to hazardous materials incidents. RSPA regulates the classification of materials, and requires material identification in shipping papers and on placards or labels with the familiar standard hazard-type logos and a code number referencing the particular substance that appear on the actual package or vehicle. The logos and shipping papers often provide the first essential information a first-responder can obtain at the scene of an accident.

RSPA also publishes an Emergency Response Guidebook (ERG) covering the materials that it has listed and classified over the years. The ERG was developed for use by first-responders to hazardous materials incidents to inform them of the nature of the hazard they are facing and to guide their first actions to protect themselves and the public. The ERG provides basic information and cautions, keyed to the name and number of the substance involved, and advises that additional on-the-scene assistance should be obtained by calling CHEMTREC, a 24-hour, toll-free information assistance service operated by the chemical industry.

The ERG was first published in 1980 and revised in 1984. Some 750,000 copies were distributed free of charge to emergency services organizations, and distribution continues as more jurisdictions learn of its existence. Often a copy of the ERG kept in a police squad car or on a fire engine is the only technical information available at the scene of an incident for the first critical moments. Representatives of the police and fire chiefs' organizations reported that the book has been used successfully in many reported incidents. They urged strongly that RSPA periodically update and redistribute the guide. RSPA plans to issue new editions on a three-year cycle, and is maintaining an up-to-date list of emergency response organizations for prompt, widespread distribution of the guide.

There are several other federal or private emergency response guidebooks that provide information regarding what to do in the event of a hazardous material incident, as well as the CHEMTREC telephone assistance services noted above. A sampling of the other existing manuals includes: the USCG "Chemical Hazards Response Information System (CHRIS) Manual," the Association of American Railroad's "Emergency Handling of Hazardous Materials in Surface Transportation Guide," the National Institute for Occupational Safety and Health/Occupational Safety and Health Administration (NIOSH/OSHA) "Pocket Guide to Chemical Hazards," and the "Fire Protection Guide on Hazardous Materials" published by the National Fire Protection Association. The information as well as complexity of each varies slightly, and the organization of each is vastly different. Local emergency response teams may have all or only one of these in their response vehicle. With such a diversity of information, the potential for confusion is great -- especially considering that in most communities the frequency of incidents is extremely low.

The International Association of Fire Chiefs and Police Chiefs did not report any problems with the diversity of emergency response manuals. In addition, the private sector groups that the Task Force met with indicated that a diversity of manuals is necessary because of the diversity of response incidents that may be encountered. Representatives from FEMA informed us that they are attempting to better coordinate federal emergency response guidance.

The Task Force supports the concept of better coordination of federal emergency response guidance. We do not believe that a diversity of manuals is necessarily detrimental. However, we believe that efforts to consolidate federal guidance may prove beneficial. We therefore recommend that RSPA participate with FEMA and other federal agencies in this effort.

2. Information Availability

In addition to the quick response information necessary to deal with an incident, state and local emergency response officials need other types of information for planning purposes. Basically, they want to know what substances are produced, transported, and used in their jurisdictions. These organizations maintained that they generally do not have this information, and they are often unable to obtain it from industry.

RSPA has made efforts to remedy this situation through a number of recent initiatives. RSPA has funded seven demonstration projects in local communities to assist in emergency response contingency planning and risk assessment. In addition to assisting in these areas, these projects pinpointed a number of ways for local communities to collect the necessary information about what flows through their jurisdictions. The Administrator of RSPA has also recently initiated a project designed to compile general commodity flow information based on census data. Once completed, RSPA plans to disseminate this information to the public.

The industry has also initiated programs designed to meet local community emergency response information needs. The Chemical Manufacturers Association recently adopted a Community Awareness and Emergency Response (CAER) Program designed to develop community outreach programs, to provide the public with information on chemicals manufactured or used at local chemical plants, and to improve local emergency response planning through the participation of industry.

B. Contingency Planning and Risk Assessment

FEMA has primary responsibility for coordinating federal government assistance to state and local governments in the area of emergency response, which it carries out by serving as a facilitator that brings existing federal knowledge and expertise to the local communities. RSPA's traditional position has been to look to FEMA in providing necessary planning assistance to local communities. In recent years, however, RSPA has played a more active role in this area. The constituent groups indicated to the Task Force that RSPA's initiatives have been very effective but welcomed significant further RSPA participation in the area of emergency response.

Through RSPA's seven hazardous materials transportation safety demonstration projects, local communities developed programs for hazardous materials accident prevention, and identified emergency response procedures. RSPA has published the combined results of these studies in an information document. The document provides examples and reviews of the different approaches and experiences of the seven demonstration communities and is now available to the public.

RSPA has also pursued the possibility of establishing a voluntary industry-funded and administered emergency response program. Preliminary indications are that industry supports this effort, although much still needs to be done to attain broad-based support.

Finally, part of the Administrator's recent reorganization effort involves the creation of an Office of Federal, State, and Private Sector Initiatives. This office is expected to get actively involved in emergency response issues that fall outside RSPA's traditional guidebook and hazard communication responsibilities. These actions represent positive steps to get more actively involved in this area.

C. Emergency Response Training

In 1984 Congress directed DOT and FEMA to conduct a joint study including (1) a description of existing planning programs for responding to incidents involving transportation of hazardous materials; (2) a description of federal, state, and local training programs for responding to incidents involving transportation of hazardous materials and for compliance with and enforcement of rules, regulations, standards, and orders promulgated by DOT; (3) the amounts of funds expended each fiscal year since 1980 on training programs; and (4) recommendations concerning methods of funding training programs. RSPA has assumed primary responsibility for reporting on training programs related to compliance and enforcement, and FEMA has assumed primary responsibility for reporting on training and planning programs related to response.

Many state, local and industry groups indicated to the Task Force that there is a need to improve training for emergency response personnel. They also indicated that there needs to be better coordination of existing training programs and efforts. The DOT/FEMA Report will play a key part in assessing the types of training programs that exist, where new programs should be developed, and how such programs should be funded. The report should also assist in improving coordination of federal training efforts. RSPA and FEMA are making efforts to expedite completion of this study. Recognizing that the study concerns issues which Congress will want to address during the reauthorization of the Hazardous Materials Transportation Act this year, the Safety Review Task Force recommends that RSPA continue to make efforts to expedite its completion.

The 1983 TRB Report recommended that RSPA assume a lead role in emergency response training, more specifically, that "DOT designate an office to develop a master program for hazardous materials training for personnel in public and private organizations and for all phases of the transportation of hazardous materials." The Task Force does not agree that DOT should assume a lead role in developing emergency response training, but does believe that it could play a larger role in this area in cooperation with FEMA. RSPA has developed some useful training materials and distributed a number of training aids for emergency response personnel. A training information clearinghouse role is one the agency could easily assume at little cost. RSPA is naturally suited to serve as a clearinghouse because it has access to the states, has one of the most up-to-date lists of emergency services organizations in the country, and has a good working relationship with key industry groups that are actively involved in emergency response programs of their own.

The new RSPA Office of Federal, State, and Private Sector Initiatives is slated to assume an increased role in emergency response training. This office is expected to respond to public questions regarding training and to sponsor a number of regional workshops on emergency response over the next year. RSPA also plans to hold a tri-agency conference with FEMA and EPA in the coming year to review and clarify federal emergency response roles. RSPA has indicated to the Task Force that it is assuming a larger role in emergency response training and has plans for a number of activities in this area. The agency has already begun work on the development of workshops and is working with FEMA on improving coordination.

During the course of its review, the Task Force established an ad hoc working group with representatives from each of the operating administrations and chaired by RSPA to examine ways to better coordinate Departmentwide emergency response efforts. The working group recommended that efforts be made to coordinate and centralize emergency response training among the operating administrations. In addition, the group recommended that RSPA clearly define modal responsibilities in the area of emergency response. The Task Force concurs in these recommendations.

The Task Force commends RSPA's efforts to increase its role in emergency response training, but believes that RSPA's efforts need further direction and clarification. The agency still lacks a simple statement of policy and goals in this area. The Task Force recommends that the RSPA Administrator make such a statement a priority area for attention in the coming months.

D. Response Resources

Although local communities and states generally provide the first response to hazardous materials incidents, there may also be substantial direct federal participation in such efforts. The National Response Team (NRT), was created pursuant to federal

environmental statutes to assist in marshaling federal resources when needed. The NRT includes representation from several federal agencies including the Coast Guard, and, most recently, RSPA. Since its inception, the EPA has served as Chair of the NRT and the USCG as Vice-chair.

Anyone observing an incident involving an oil spill, hazardous chemical release, pipeline accident, transportation accident involving hazardous materials, or release of radioactive material must report it by toll-free telephone to the National Response Center (NRC) operated by the U.S. Coast Guard. Watchstanders at the NRC relay the report to the predesignated federal "on-scene coordinator", which is either a Coast Guard or EPA official near the incident.

Coast Guard personnel staff the NRC at all times. The NRC enters the information it receives into a database and relays valuable information to other federal agencies, DOT's operating administrations if a carrier is involved, and private industry contacts such as CHEMTREC, as appropriate. In addition, the NRC provides chemical or toxicity data to local responders following an oil or chemical spill.

Following notification, the on-scene coordinator (OSC) may activate a variety of direct federal response efforts. If the state and local response is insufficient, the National Response Team or one of ten regional response teams may be activated. These teams have equipment and skilled personnel available. The OSC can also contract for response and clean-up assistance, if necessary.

Private sector support for response efforts is also available. Mutual-aid organizations such as CHEMNET provide a major source of such assistance. CHEMNET is a network of chemical shippers and for-hire contractors that will provide advice and assistance at the scene of serious chemical distribution incidents. Communications for the network are provided through CHEMTREC.

CHEMTREC is a private operation established in 1971 by the Chemical Manufacturers Association (CMA) to provide information on chemicals involved in transportation emergencies. CHEMTREC operates a 24-hour toll-free number to receive reports of accidents involving hazardous chemicals and to disseminate immediate response information. CHEMTREC also notifies shippers of incidents so they can take appropriate follow-up action.

Although CHEMTREC is financed and operated entirely by CMA, its services are open to all shippers of chemicals and it has been officially recognized by DOT as a central emergency response service for dealing with hazardous materials transportation incidents . The Hazardous Materials Transportation Act of 1974 called for the Secretary of DOT to establish and maintain a central reporting system and data center. Since CHEMTREC had already been established and met with DOT approval, DOT gave the

facility official recognition in 1980 to provide emergency response information services in conjunction with the National Response Center. The Task Force believes that the combination CHEMTREC/NRC emergency response information and reporting system has worked well.

The Task Force did identify one small but significant problem in this area. While RSPA's hazardous materials regulations require that telephone reports be made to the NRC under certain circumstances, the RSPA Emergency Response Guide references only the CHEMTREC number, and curiously does not list the NRC phone number for either emergency response or reporting purposes. This is a significant omission because the NRC alone can make sure that federal experts respond to the accident scene if necessary, and because calling CHEMTREC does not fulfill regulatory reporting requirements. The NRC phone number should be prominently placed in future editions of the ERG.

Recommendations:

1. RSPA should participate in efforts with other federal agencies to consolidate federal guidance in the area of emergency response.

2. RSPA should continue to make efforts to expedite completion of the joint DOT/FEMA training and planning assistance study requested by Congress in P.L. 98-559.

3. RSPA should issue an emergency response policy statement that defines its goals and objectives in the areas of emergency response planning and training and should continue to increase its efforts and Departmentwide coordination in this area.

4. RSPA should include the National Response Center (NRC) telephone number in the Emergency Response Guidebook.

V. REGISTRATION

RSPA has the authority to register manufacturers, shippers and carriers of hazardous materials, and manufacturers of containers, but only does so to a very limited degree. The 1978 Task Force Report indicated that information obtained through registration could be used for "scheduling and allocating resources for inspections and could also provide identification in cases of accidents." The Report pinpointed two basic uses for registration information: (1) to improve our understanding of the regulated population and assist in better focusing enforcement resources and (2) to improve upon the quality and availability of information to state and local communities for emergency preparedness purposes. The 1978 Report did not, however, make recommendations regarding the registration issue.

The 1980 GAO Report recommended that RSPA establish a registration program to identify "all hazardous materials carriers, shippers, and container manufacturers." The Report went on to indicate that although RSPA views registration as costly and burdensome, it has not conducted economic analyses to determine the cost of such a program. The Report concluded that registration is necessary because DOT does not have complete or accurate information on the volume or type of hazardous materials being shipped. Further, the Report concluded that the type of information generated through a registration program would enhance RSPA's rulemaking efforts by providing statistics necessary to assess the scope and adequacy of RSPA's regulations.

There was little consensus among the constituent groups regarding a registration program. Views were strong on both sides of the question. Constituent views also varied depending on the scope of registration being considered. Under the HMTA, the Secretary could require the registration of shippers, carriers or manufacturers, all three, or subgroups of the three categories. Almost all groups agreed that a limited and targeted registration program, such as of high-hazard shippers and carriers, would be more manageable for the industry and for RSPA to implement.

The statute also allows broad discretion regarding the type of information to be collected. Registration could consist of a wide range of activities including the simple collection of shipper or carrier names and addresses, to collection of detailed data regarding each material a registrant manufactures, ships, or carries, or information regarding volumes, tonnage and routing.

The Task Force agrees that there is a need for improving the availability of information regarding locations and numbers of hazardous materials carriers, shippers, and manufacturers, and registration provides one means of gathering it. A registration program could assist RSPA in updating its classification system and regulatory program, as well as assist in making management decisions.

A. Information Gap Dilemma

1. Registration to Provide Federal Program Information

RSPA does not have an accurate reading of how many shippers or carriers are subject to its regulations or know where all hazardous materials shippers are located. It is a fair question how effective an enforcement program can be without such basic information on the industry subject to regulation.

Adequate enforcement of the hazardous materials regulations requires the participation of the states. In the last few years, 25 states have actively participated in RSPA's SHMED program. By increasing the effectiveness of state efforts, the effectiveness of the federal program is enhanced. Many of these state enforcement personnel have asked RSPA to provide information regarding the volume, types, and identification of shippers and carriers that run through their jurisdictions to achieve more effective performance of their enforcement responsibilities. Information regarding the location of shippers and carriers would assist the states in targeting enforcement personnel where they are most needed. Yet RSPA is unable to meet these needs because it currently does not collect this type of information.

Depending upon the complexity or level of registration, a registration program could also enable RSPA to maintain an up-to-date list of all hazardous materials that are being produced and transported in commerce. The existing Hazardous Materials Table contains a listing of chemicals that come to the attention of RSPA through shippers or carriers on a voluntary basis. Improved knowledge about the numbers and types of materials that exist would also assist RSPA in updating its classification and packaging system.

Registration could also serve to improve RSPA's regulatory program. Knowledge about the types of materials being shipped and experience level of shippers and carriers would enable RSPA to direct rulemaking activity to those areas that need the most attention. For example, RSPA knows that gasoline or petroleum products are shipped through most communities in this country, and most of it is shipped by truck. This is important information that has assisted the agency in recently addressing cargo tank regulations. But beyond certain products like gasoline or anhydrous ammonia, RSPA does not have information about what is being transported.

2. Registration to Provide Information for Local Community Needs

Over the past several years, there has been a proliferation of right-to-know laws dealing with the need for disclosure by hazardous materials transporters and manufacturers regarding materials being transported, handled, stored, or disposed of in a particular community. States and local communities are enacting

these laws to assist them in emergency response and enforcement efforts. The HMTA gives RSPA the authority to preempt "any requirement of a state or political subdivision thereof, which is inconsistent with any requirement" of the HMTA or regulations issued under the HMTA.

Even though many of these local right-to-know laws may ultimately be determined to be inconsistent under the existing system, they are being enacted with increasing frequency. Until they can be ruled inconsistent or challenged, truckers and carriers of hazardous materials are often faced with numerous inconsistent state and local requirements. A National Hazardous Materials Transportation Advisory Committee (NHMTAC) Working Group summed up the problem as follows:

> The ability to invalidate individual disclosure requirements on a case-by-case basis by report to the courts and/or by seeking DOT inconsistency rulings is not an effective solution to this problem. These "approval" procedures are time-consuming and involve large transaction costs. In the meantime, shippers and manufacturers -- particularly those that operate interstate -- may be subject to burdensome and inconsistent state and local requirements. To the extent that appeals succeed, the underlying disclosure needs remain unaddressed and new right-to-know requirements can be expected to spring up (NHMTAC Information Exchange Working Group, The Public Right-to-Know Issue, April 26, 1985, by Kenneth S. Kamlet).

In order to do effective emergency response planning, local officials need to know what materials commonly pass through their communities. This information will tell them the types of training and equipment their emergency response personnel need. This information might also assist communities in making routing decisions. Public interest groups indicated that shippers and carriers do not always freely offer this information upon request.

There is reportedly a perception by some state and local governments that the Federal Government is not adequately overseeing the safety of hazardous materials transportation. Further, some believe that DOT should exercise the authority conferred by the HMTA to register entities, in order to stop the proliferation of state and local right-to-know laws which have potential adverse effects on interstate commerce.

The public interest groups informed the Task Force that state and local communities do not want detailed registration information. Similar to RSPA, state and local communities are not equipped to handle massive amounts of detailed registration information.

Instead, these groups indicated a need for very basic information pertaining to the high hazard materials that flow through their communities. The information they need could be collected through a limited registration program and made available for local and state risk assessment purposes.

3. Registration for the Purpose of Collecting User Fees for An Emergency Response Fund

A Hazardous Materials Coalition -- made up of carriers, shippers, manufacturers, and state and local officials -- has drafted and supports a legislative proposal that would require the registration of shippers and carriers with DOT. This coalition of hazardous materials transportation groups is expected to urge Congress to adopt such a proposal as part of the reauthorization of the HMTA in 1986. The coalition was successful in obtaining the support of some shippers and some carriers because the quid pro quo for registration and collection of a user fee is the establishment of a mechanism for bringing about greater uniformity of state and local laws through federal preemption.

Briefly, the proposal requires that local communities be permitted to adopt routing restrictions, curfews, or bans as long as they are consistent with standards to be published by RSPA. All other requirements would be preempted. The Secretary would be required to register shippers and carriers of hazardous materials and sellers of hazardous materials containers. A graduated fee would be collected from each registrant, and the proceeds would be held in an Emergency Response Fund. The fund would be distributed by formula to assist state and local governments in developing and implementing emergency response programs. States accepting money from the fund would not be permitted to adopt their own fee, registration, or licensing requirements. The proposal also requires the Secretary to undertake a study to determine the traffic flow of hazardous materials and to develop certification procedures for emergency response programs.

There are variations of the above proposal being proferred by other hazardous materials groups and members of Congress. All of these proposals focus on informational needs by providing for commodity flow studies and/or registration; some of them also include user fees to assist states and local communities in meeting training and equipment needs. A registration program can be considered separate from a user fee program directed to local funding needs. The Task Force does not have recommendations regarding these particular proposals.

B. Other Federal Information Collection Activity

Some information on hazardous materials production is already being collected by the Environmental Protection Agency (EPA), OSHA, and other federal agencies. The EPA requires, pursuant to the Toxic Substances Control Act (15 U.S.C. 2604), that all manufacturers of a new chemical substance report notice of intent

to produce the chemical 90 calendar days prior to the manufacture. This notice must include test data concerning the health and environmental effects of the new chemical. The EPA keeps an inventory of this information on a computer data base.

In making the decision whether to require the registration of shippers and carriers, and perhaps in deciding whether to conduct a limited registration program, RSPA should consider the information that is being collected by other agencies. The Task Force found that there is little information being exchanged between the various federal agencies that are currently engaged in collecting information regarding toxic and hazardous materials.

C. Current Registration Program

There are currently 122 citations in the hazardous materials regulations that require registration with RSPA. Many of these citations apply to the same basic types of entities. Drum reconditioners are required to register and get a "recondition number" to be stamped on drums they have handled. Manufacturers of most DOT specification containers are required to register a symbol if a full name is not provided on the container. Also, due to various reporting requirements for higher level radioactive materials, RSPA, the Nuclear Regulatory Commission, and the Department of Energy know where shippers of higher level radioactive materials are located, what routes are used for these shipments, and the destinations for most shipments.

Other regulated populations must register with RSPA because of pre-approval inspection requirements. Cylinder retesters, rebuilders, and repairers and shippers of high-hazard materials fall into this category. Either RSPA or a third-party inspector must approve of these entities or shipments prior to production or movement. Thus RSPA has good records on these groups. They are, however, a relatively small part of the total number of shippers and carriers of hazardous materials. For example, RSPA has 761 drum reconditioners and some 12,000 symbols registered, compared to the estimated 100,000 locations from which hazardous materials shipments originate, and the estimated 413,000 tank trucks regularly carrying hazardous materials. Thus RSPA has shown it can administer a reasonably limited registration program.

D. Further Study

Based on the information discussed above and the various opinions presented by the constituent groups, the Safety Review Task Force concludes that more should be done at the federal level to gather information regarding hazardous materials shippers and carriers. Although EPA collects some information, there is a need for federal coordination of existing information, and for supplementing existing information. Enhanced information would not only serve to improve federal regulatory and enforcement efforts, it may also assist state and local partners in enforcement and emergency preparedness measures. RSPA stands to benefit directly by these efforts.

One obvious means of obtaining this information is through DOT registration of shippers and carriers. The Task Force agrees that a massive registration program would be costly and burdensome to implement. A more limited effort concentrating on high hazard materials would appear to offer major benefits at much less cost.

The registration issue is of great concern to the industry and the public, and in all probability will be addressed by Congress this year. The Task Force believes RSPA should take the lead in discussing the advantages and disadvantages of registration. It is a matter that directly affects the agency and has the potential for substantially affecting agency operations.

Therefore, the Task Force recommends that RSPA engage in a pilot study or program through the registration of a limited number of shippers, carriers, and/or manufacturers. For example, the study might only require registration of shippers or carriers of a limited number of highly toxic chemicals. The study or program should actually require the registration of a defined population of shippers or carriers. The study should also attempt to utilize the existing data base and information collection requirements of EPA or other federal agencies. The costs and benefits of conducting such a program on a long-term basis should also be examined. The results of this study should be used by the agency in formulating its future position with respect to registration.

Recommendation:

RSPA should conduct a pilot study of a limited registration program utilizing existing data bases and information collection systems as much as possible.

VI. DATA BASE

All of RSPA's programs depend heavily on accurate and up-to-date sources of information. Much of the information is collected in its data base, the Hazardous Materials Information Management System (HMIMS). A variety of studies have been performed on the configuration and application of the HMIMS. The Task Force found that many of the deficiencies that have been identified in these studies still exist. For example, the 1978 Task Force Report concluded, as this report does, that only a limited amount of systematic analysis of incident data is performed by RSPA and that the adequacy and relevancy of much of the data are questionable. Correction of these deficiencies is important because an improved management information system is essential to meeting many of the other problems identified in this report.

A. Accuracy and Adequacy

The primary source for the information in the hazardous materials data base is the incident report that a carrier of hazardous materials must file under RSPA regulations within 15 days of the date of discovery of a reportable incident. A reportable incident is one in which (1) an unintentional release of hazardous materials from a package or tank occurs, (2) as a direct result of hazardous materials a person is killed or receives injuries requiring hospitalization, (3) property damage exceeds $50,000, (4) radioactive or etiologic agent contamination occurs, or (5) any quantity of hazardous waste has been discharged during transportation.

Task Force staff analyzed the current data base and the method used for selecting the type of information that is put into it. This review revealed that not all information relevant to an incident is collected through the current reporting process and not all of the pertinent information on the incident report form is accurately and completely keyed into the data base.

RSPA has issued an ANPRM, HM-36B, Detailed Hazardous Materials Incident Reports, directed at improving the reporting form and procedures for processing it. The NPRM is expected to propose a revised and simplified reporting form. This rulemaking may serve to correct certain deficiencies in the form and to assist RSPA in collecting more relevant data.

Aside from the reporting form itself, there are a number of problems with the method and amounts of data input into the HMIMS. For example, the narrative section on the incident report form is not keyed into the data base. The narrative serves to tie together all other information on the form. It could be used for clarifying the overall nature of the incident and synopsizing what might otherwise appear unclear from other data on the form. A global search of all narratives by key word would also greatly facilitate analyses of incidents.

In addition, ambiguities on the incident reporting form are often resolved by data entry personnel. Reliance on idiosyncratic determinations about the accuracy and relative emphasis to be placed on certain data elements detracts from the system's accuracy and consistency. For example, data entry personnel do not key in all of the package failure codes listed by the reporting party as causes of leaks or spills. Only two package failure codes are currently entered, even though other codes may appear on the report form. The degradation of the data base that can result is obvious.

In order to correct these problems, the Task Force recommends that RSPA promptly complete its rulemaking to improve the reporting process and prepare clear guidance on how to prepare and input the data from the incident reporting form.

B. Use of the Information

The HMIMS is maintained by the Transportation Systems Center (TSC) and is used in RSPA primarily for individual information needs rather than management planning. For example, enforcement personnel use the data base to keep a record of open cases; approvals/exemptions personnel use the data base to list pending actions or outstanding exemptions; and standards personnel use the data base to list ongoing rulemakings. However, when a major incident occurs, RSPA does not search the data base for other incidents involving the same type of material or container to identify trends or deficiencies in packaging types or exemption experience. RSPA does not regularly conduct analysis of the data it collects through the incident reporting system; the only analysis that is done is at the request of a user.

The Task Force found that the lack of a comprehensive, systematic plan to utilize the HMIMS constitutes a deficiency in RSPA's management. In the absence of such a plan, decisions are made, staff is allocated, and rules are proposed without complete factual bases. The Task Force believes that a major effort is needed immediately to develop a management information and planning system utilizing the HMIMS. This system should be used for:

- o analyzing incident causes and effects to develop trend information;
- o establishing enforcement priorities;
- o establishing or supporting rulemaking priorities;
- o evaluating the effectiveness of rulemaking and enforcement efforts;
- o evaluating exemption and approval experience; and
- o isolating major incidents for special study and development of appropriate remedial measures.

Since TSC personnel maintain the hazardous materials information data base, the Task Force recommends that RSPA use TSC personnel for the generation of these types of reports and analyses and that the Administrator and her staff be personally involved in assuring that the data base is used effectively.

C. Promoting Availability

The HMIMS is not readily available to users outside the RSPA organization. Efforts to ensure the use of a centralized data base to coordinate program efforts and sharing of information resources with other hazardous materials regulation organizations and states were often alluded to by RSPA staff. However, it appears that such action does not take place often enough to make a significant contribution to establishing a shared foundation of fundamental knowledge of hazardous materials transportation safety.

RSPA should promote availability of the present information system to facilitate its use by states and other interested organizations. RSPA should make efforts to inform interested groups about the type of information available on the data base as well as how to use the system. In order to promote greater use of the system, RSPA should also develop a straightforward, comprehensive, and widely distributed users guide.

D. Coordination and Use of Other Data Bases

RSPA should also explore the possibility of enhancing the HMIMS through coordination and use of other data bases. The Bureau of Motor Carrier Safety system and the "Safety Net" program now under development are examples of other data bases that could serve to enhance RSPA's HMIMS. Although RSPA already has direct access to some of these other data bases, many of them are not readily compatible with RSPA's system and are therefore not used as frequently or as readily as they should be.

In addition, RSPA should explore the possibility of using other agency data bases, such as EPA's toxic substance inventory. Once RSPA has coordinated with these agencies, relevant information should be transferred to, or created on, the RSPA system and directly related to information in the RSPA data base.

Recommendations:

1. RSPA should develop guidance for use by data entry personnel on how to prepare and enter data into the data base and should expedite its rulemaking regarding improvement of the incident reporting form.

2. RSPA should make better use of the existing data base to support management decisions, policy development, rulemaking, and enforcement efforts.

I. Bureau of Explosive examination required prior to approval by RSPA:

1. Approval of packaging for cigarette lighters. 49 CFR 173.21(a).

2. Approval of fusible plugs for portable tanks. 49 CFR 173.32(b)(3) and 173.315(i)(12).

3. Approval of certain high explosives packaging. 49 CFR 173.65(b).

4. Approval of heating or refrigerating equipment fueled with flammable liquid or compressed gas. 49 CFR 173.120(c), 173.306(d), 174.61(b).

5. Approval of certain packaging for ethylene oxide. 49 CFR 173.124(a).

6. Approval of packaging for smokeless powder for small arms. 49 CFR 173.197(a); 49 CFR 177.821(f), 177.838(g).

7. Approval of packaging for certain metal liquid alloys. 49 CFR 173.202.

8. Approval of packaging for aircraft rocket engines and igniters. 49 CFR 173.238.

9. Approval of certain aluminum packaging for corrosive liquids. 49 CFR 173.245(a)(25).

10. Approval of certain nonspillable, leakproof electric storage batteries. 49 CFR 173.260(g).

11. Approval of venting and pressure relief devices for hydrogen peroxide in tank cars and tank motor vehicles. 49 CFR 173.266(f)(1) and (2).

12. Approval of sampling and test procedure for classification as flammable gas. 49 CFR 173.300(b).

13. Approval of procedures and practices for shipment of hydrocyanic acid by tank car. 49 CFR 173.332(d).

14. Approval of procedures and practices for shipment of nitrogen tetroxide by tank car. 49 CFR 173.336(a)(6).

15. Approval of certain packaging for arsenic or arsenic acid. 49 CFR 173.346(a).

16. Approval of packaging for tear gas grenades. 49 CFR 173.386(b) and (c).

II. AAR Tank Car Committee approval required pursuant to 49 CFR 179.3 for the design, materials, and construction, or conversion or alteration of tank car tanks prior to placement in service.

Exhibit 2-1

STATUS OF SELECTED RULEMAKINGS AS OF JANUARY 1986

	Rulemaking Docket	Title	ANPRM	NPRM	Hearings	Final Rule or Next Target Date	Time in Rulemaking to Date
1.	HM-192	Quantity Limitations Aboard Aircraft	4/6/84		5/30/85		1 Yr. 8 Mos
2.	HM-188B	Hazardous Materials Transportation Between Canada and U.S.	5/5/83	5/30/85	6/27/85	10/11/85	2 Yrs. 5 Mos
3.	HM-184C	Updating of ICAO Technical Instructions		7/16/85		12/2/85	5 Mos
4.	HM-181	Performance-Oriented Packaging Standards	4/15/82			12/1986	3 Yrs. 9 Mos
5.	HM-172A	Marking Owners Symbols on Compressed Gas Cyl.	4/11/84			7/11/85	1 Yr. 3 Mos
6.	HM-126C	Emergency Response Guidebooks and Material Safety Data Sheets	4/16/84				1 Yr. 9 Mos
7.	HM-145E	Reportable Quantities of Hazardous Substances	8/8/83			3/1986	2 Yrs. 5 Mos
8.	HM-126D	Bulk Packagings and Misc. Rule Changes		9/27/84		3/1986	1 Yr. 4 Mos
9.	HM-126E	Odorization of LP Gas		9/27/84			1 Yr. 4 Mos
10.	HM-180	Placarding of Empty Tank Cars	7/23/81	8/10/84		9/20/85	4 Yrs. 3
11.	HM-189	Hazardous Materials, Misc. Corrections				10/11/85	Annual
12.	HM-74A	Use of Interested Inspectors for Cylinder Inspections		3/17/76			9 Yrs, 10 Mos
13.	HM-195	Reclassification of Special Fireworks	11/19/84			3/13/85	1 Yr. 2 Mos
14.	HM-36B	Data Collection & Reporting: HM Incident Reports	3/16/84		5/1/84		1 Yr. 10 Mos
15.	HM-23	Specification 8W & 8WA Welded Steel Cylinders		8/19/69 (Withdrawn)		4/1986	16 Years
16.	HM-172B	Cylinder Retester Identification Numbers		10/4/84		11/6/85	1 Yr
17.	HM-179	Definition of Oxidizer	6/15/81				4 Yrs. 7 Mos
18.	HM-188A	Specification Requalification and Use Requirements for Obsolete Cargo Tanks	6/28/82	9/17/85			3 Yrs. 7 Mos
19.	HM-166S	Magnetized Material		9/24/84		11/1985	1 Yr, 1 Mo
20.	HM-196	Packaging & Placarding Requirements for Liquids, Toxic by Inhalation		2/8/85		10/8/85	8 Mos
21.	HM-166P	Radiation Level Specification		10/7/82		10/16/85	3 Yrs
22.	HM-190	Modification to DOT Spec. 21PF-1 Overpacks		8/16/84		6/1986	1 Yr. 5 Mos

3. RSPA should ensure that regular data base reports are generated that clearly identify major areas of hazardous materials activity, trends, and other areas of concern.

4. RSPA should promote availability of the Hazardous Materials Information Information Management System (HMIMS) and develop a comprehensive users guide.

5. RSPA should coordinate the HMIMS with other systems where shared data could be of benefit.

Exhibit 3-1

HMR INVESTIGATOR INSPECTIONS 1980-85

	FIELD TIME SPENT ON INSPECTIONS LAST YEAR	AREA OF EMPHASIS OF INSPECTION
1	12 - 14 Weeks	General; some intermodal activity with Coast Guard ports; shippers
2	12 - 14 Weeks	General; mostly shippers, some ports
3	14 Weeks	General; Steel drum, pails, cylinders, explosives
4	12 - 14 Weeks	Cylinders; retesters, rebuilders; compressed gas containers
5	24 Weeks	Radioactive materials; shippers, mostly airport facilities; some ports
6	2 Weeks	Drafts HIPP, supervisory capacity directing other inspector activity; data base manager for enforcement purposes
7	4 - 5 Weeks HMEP 7 1/2 Weeks (General)	State Hazardous Materials Enforcement Program - state inspections or joint inspections with RSPA
8 (P.T.)	24 Weeks	In Training - No full inspection responsibility until very recently

* INTERVIEWS WITH INVESTIGATORS INSPECTIONS RECORD 1985

SAFETY REVIEW TASK FORCE FINDINGS

Mr. LEHMAN. Another general conclusion of the Task Force reads as follows:

> The Task Force believes RSPA's programs deserve increased attention and priority. The Office of the Secretary can do much to assist RSPA in attaining a stronger, clearer program by further supporting RSPA as the lead agency responsible for hazardous materials transportation issues within the Department.

Why haven't RSPA's programs received the attention and priority they deserve within the Department?

Ms. DOUGLASS. Let's see. I didn't quite understand. Why haven't——

Mr. LEHMAN. In other words, the Department says you have the responsibility but they don't give you the attention or the priorities that go with that assessment.

Ms. DOUGLASS. Well, I believe that there are two parts to that question. One is that RSPA has given attention to setting priorities.

Now the other part, which it seemed you were asking was, that the Secretary says that RSPA needs to play a stronger leadership role.

Well, I think that there is sort of a historical problem, frankly, that has developed, or did develop. I think that RSPA started out fairly strong, and a number of significant things happened along the way. We have charted our budget requests, our appropriations, our staffing requests, and our staffing levels, over time, and we have been cut back significantly.

From 147 staff in 1981 we went to 121. In 1982 we requested 121; we were granted 118. In 1983, 118 and we got 111. I think that what has happened is that there has been a significant cutback in staff, and that has created many problems, ranging from morale to trying to set priorities. I think that there has been a lot of talk about getting rid of the agency, and I think that that has resulted in RSPA maybe not asserting itself as strongly as it should. But I think that Secretary Dole wants us to assert ourselves. I want to do that and I believe that we are now back on track.

Mr. LEHMAN. I guess one thing we are talking about is attitude. It is implied here that the attitude of the various other agencies in DOT, or the Secretary's Office, does not really give you the kind of support or attention that you should be getting. I just wondered whether you are a little frustrated with the attitude of the rest of your Department?

Ms. DOUGLASS. Well, no, I am really not. I think that——

Mr. LEHMAN. You have access to——

Ms. DOUGLASS [continuing]. What we have started doing much more strongly in the last year is, RSPA has begun sharing some intermodal meetings, and Dick Landis has been appointed Associate Administrator for Motor Carrier. I have a very good relationship with Dick, and Dick is very supportive of working together on these hazardous materials problems from the motor carrier perspective, and the same thing is occurring with the FRA.

I find that there is the support within the Department for RSPA to come forward and take on the leadership role.

Mr. LEHMAN. The first cuts in RSPA were before I became Chairman of this subcommittee. That was under Drew Lewis when he was Secretary, and since then there has been a gradual diminishment. As you said, there may be some move in there, implied move to do away with your organization at some point.

But I don't know whether you——

Ms. DOUGLASS. That situation is certainly not the situation now, and it has never been under Secretary Dole.

Mr. LEHMAN. I know. Safety is her priority.

Ms. DOUGLASS. Yes, and this program, Hazardous Materials Transportation does have a multi-modal focus and it needs strong leadership, and she has told me to get going.

HAZARDOUS MATERIALS REGULATORY ROLE

Mr. LEHMAN. What is the Office of the Secretary doing to strengthen RSPA's hazardous materials regulatory role in the Department as recommended by the Task Force? What is Secretary Dole actually doing besides just saying that she hopes you will do better? Can you list some specific things that she is doing?

Ms. DOUGLASS. Well, actually, the report came out, maybe two weeks ago, or something like that, and we have been asked to respond to that report.

She has asked me to tell her what she needs to do to give us a stronger hand, and to improve these things within the Department, and it is up to us, and to me, to come back to her, and tell her how we think we can do this.

And she has told me that, if she needs to send a memo out, or a letter—she wants to know what it is that she needs to do.

I have not responded to it yet. I mean, we have read the report, of course and have been giving a lot of thought to it, but we have been preparing for the House and Senate hearings, and our next major project will be to get back to her on this in the next week or so.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman. I just want to say that I support the Chairman's concerns about hazardous materials transportation. I guess it is an issue that could "blow up" in our faces.

Ms. DOUGLASS. I hope not.

Mr. COUGHLIN. No pun intended. And I just feel as the Chairman does, that we want to make sure you do have adequate resources, and that you are proceeding apace in that area.

Ms. DOUGLASS. I very much appreciate that, and I tell you, we do need more resources and we do need more staff but we need your help.

Mr. COUGHLIN. And do you feel that the budget request you have before us now does provide that?

Ms. DOUGLASS. Yes, I do.

RESOURCES BREAKDOWN

Mr. COUGHLIN. Can you break things down for us a little bit? About what percentage of your resources are devoted to the major parts of your organization? Your organization chart breaks down

into five major areas. The Office of Aviation Information Management. About what percentage of your resources does that take? Or for pipeline safety; also hazardous materials transportation, et cetera. Each one of those areas.

Ms. DOUGLASS. I think that the most helpful thing would be to—do you have the budget here, in front of you?

Mr. COUGHLIN. Yes.

Ms. DOUGLASS. Okay. On page 12 of our budget, why don't you mathematicians in the group here help me with the percentages in each program area. Let's see. Our budget is about $20 million for fiscal year 1987, and out of that, it looks to me as though about a fourth of that 25 percent goes to the Pipeline Safety Grant Program, and probably 30 percent, something like that—well, $6.8 million goes to hazardous materials transportation. That is probably about 35 percent of our program.

Three million, which is probably close to 20 percent, a little over 20 percent—23 percent goes to pipeline safety. And then of course about another $2.5 million, which is another 20 percent, goes to things like—well, just managing our office. The telephones. The office space. All of the administrative costs.

The aviation management is a little under 10 percent. That is for the regulatory division, and a little bit of support to the Secretary's Office for collecting information data. But that is a basic breakdown.

I could put it another way. About——

Mr. COUGHLIN. Do you feel that the breakdown and the emphasis that you have in your Department is appropriate?

Ms. DOUGLASS. Yes. I do.

Mr. COUGHLIN. Mr. Chairman, I will have other questions as we go along, but I will yield back now.

Mr. LEHMAN. This information is, as you have stated, of utmost concern to this subcommittee.

REGULATORY PROGRAM

Mr. LEHMAN. The Task Force strongly criticized RSPA's hazardous materials regulatory program. They said, and I quote:

> The Task Force believes that in the 10 years since its inception, RSPA has not made adequate progress toward extricating itself from the regulatory quagmire that it inherited from the ICC.

Why has RSPA made such little progress in reforming its regulatory process over the last 10 years? Do you need more lawyers?

[Laughter.]

Mr. LEHMAN. I have already got that answer, right in back of you there.

Ms. DOUGLASS. Well, we do need more people, and in fact we have requested seven more staff in that regulatory area, and that will help, but I just want to place it in perspective a little bit.

There is good news and bad news here. We have received over 1100 petitions since the hazardous materials area has been going, and they have acted on over 800 petitions.

We do have a backlog; that is the bad news; of about 300, and that backlog is too large, and it needs to be cleared up.

Part of that backlog is really an administrative procedural problem. Those petitions, a large majority, are not related to safety. When a petition comes in, we review it, and if it raises a safety concern, then we do move forward on it.

So I do not think the backlog is a reflection of a safety problem. I think there are a lot of deregulatory type of things in there that would benefit, for example, the industry, and we would like to get to a number of those petitions.

However, safety is our first concern, and so that is how we prioritize in the regulatory area. Now, we do have a rulemaking underway, that performance-oriented standard, which is a significant undertaking, and when that rule is final, that will result in a significant reduction of our regulatory workload.

HAZARDOUS MATERIALS REGULATORY PRIORITIES

Mr. LEHMAN. The Task Force also found that RSPA has no overall picture of its hazardous materials regulatory priorities, and an antiquated system for reviewing and issuing these regulations. The Task Force report reads, and I quote: "Many groups noted that a petition for rulemaking may sit unaddressed for as long as 10 years with no indication from the agency as to its priority or importance." You have already talked about the backup.

The Task Force also found that no improvement has been made since 1978 in getting rid of the large backlog of rulemaking petitions.

According to their report, there was a backlog of more than 300 petitions when this was identified as a problem in 1978, and there is still a backlog of over 300 petitions today. Why isn't RSPA doing a better job in this area?

Ms. DOUGLASS. Well, I did mention that part of the problem is that petitions go unaddressed for a long period of time because of an administrative problem; it is not a safety problem.

We do need to address that, and have been looking for the last few weeks at different ways, specifically, that we can address that administrative procedural problem. I can give you a couple of things that we have been looking at on that, but probably you would prefer that when I figure out the best way to do it, to send you a letter and let you know how we do plan to address it.

Mr. LEHMAN. How you plan to reduce your backlog of 300 petitions.

Ms. DOUGLASS. Yes.

Mr. LEHMAN. You do have a plan? You will let us know, hopefully, in time for the record?

Ms. DOUGLASS. Yes. I think it will be in time for the record.

Mr. LEHMAN. I guess in that letter you can explain why you have not done better before.

[The information follows:]

Since the formation of the Department of Transportation, RSPA and its predecessors have received approximately 1,100 petitions. Of these, approximately 800 have been retired either by being denied, being withdrawn or by amending the regulations. There is at present a backlog of approximately 300 petitions. Rulemaking projects do move commensurate with their safety significance. First priority is given to projects that have important safety implications. Secondary priority is given to proposed rules that promote cost savings provided there is no diminution of safety.

Tertiary ranking is assigned to those rules which allow us to consolidate existing exemptions on prior rules into updated rules. We have initiated a management review of our existing procedures with a view to permanently resolving this recurring problem.

For example, RSPA also identifies each of its regulatory projects in its Regulations Agenda, which is published semiannually in the *Federal Register*. The Task Force's concerns seem to be that oftentimes established timetables slip. Competition between prioritized regulatory projects is usually not the reason that RSPA fails to meet scheduled regulatory deadlines. In addition to writing regulations, the RSPA staff involved in preparing rulemakings also performs important day-to-day functions serving hazardous materials safety, such as answering written and telephone inquiries by the regulated public, the Congress, state and local government, and other Federal agencies, and handling interagency coordination of rules and interpretations of regulations. It is these other tasks that compete for our resources (time) and these demands are unpredictable and usually immediate. In addition, high priority regulatory projects invariably are controversial and significant in their impact on the status quo; consequently, the public comment phase can be protracted, and the issues presented are usually complex and ill-suited to a quick resolution.

Mr. LEHMAN. What are your hazardous materials rulemaking priorities in the coming year?

[The information follows:]

The priority rulemakings for the coming year are:

HM-183, which covers the design, maintenance, and testing of highway cargo tanks, such as those used to deliver gasoline and other fuels.

HM-181, which addresses the hazard classification of materials offered for transportation, and which proposes performance-oriented packaging standards.

REGULATORY DATA

Mr. LEHMAN. The Task Force found that since it often takes RSPA a number of years to complete a rulemaking, "much of the technical data that RSPA relies on from industry is out of date." Does this disturb you, and how big of a safety problem is it when you use out of date technical data to process your rulemakings?

Ms. DOUGLASS. Now, on that, we do disagree with the Task Force, that our data is out of date. We do not believe that that is a significant problem, because the rulemaking process, in and of itself, enables the submission of current information by industry, and others, during our review. For example, delay between the issuance of a Notice Of Proposed Rulemaking and the final rule, can be overcome in a number of significant ways.

If we feel that we need more information, more up-to-date data, we can issue a supplemental NPRM. We can extend the comment period.

We have done that. We also have petitions for reconsideration of the final rule, and if somebody felt that our final rule was based on old and out-of-date data, they could petition us for reconsideration.

So we do not feel that that is a problem.

REGULATORY STAFFING REQUIREMENTS

Mr. LEHMAN. The Task Force says you have three chemists, four mechanical engineers, one chemical engineer, and two physicists on your staff to determine the safety impact of industry requests for exemptions to your regulations.

Is this staff adequate to ensure that the exemptions you are granting are indeed safe to the public?

Ms. DOUGLASS. Let me see that, just to make sure I am answering your question.

Mr. LEHMAN. In other words, do you have the personnel resources to be sure that when you do grant an exemption, it is not going to be a hazardous problem?

Ms. DOUGLASS. Well, we are requesting additional staff for that area. We are requesting seven additional regulatory staff, and two of the people will be regulations writers, one will be an exemption person with technical background.

We will be asking for three highly technical people, one an engineer, a chemist, a health physicist, and a secretary to support all of them.

REGULATORY PLAN

Mr. LEHMAN. The Task Force recommends that you develop and use a regulatory plan that ranks rulemaking in the order of importance, identifies staff requirements for each rulemaking, and provides a schedule for completion.

Do you intend to do so, and if so, when will this be accomplished?

Ms. DOUGLASS. Yes, there are two parts to that. One is we do publish this semiannual regulatory agenda which does set out what we intend to do. So I do not completely agree with the Task Force report.

On the other hand, I do think that we need to do a better job of making known our priorities and our plans for people to be able to comment, and to help us adjust that.

So we do intend to do some formal things in that regard. We do do some things now, and internally, we do set priorities for rulemaking and for enforcement. But we need to make that more formal.

Mr. LEHMAN. We need a road map on where you are going.

Ms. DOUGLASS. Yes, you do; you are right, and we agree.

REGULATORY PROCESS APPROACH

Mr. LEHMAN. RSPA's current method of regulation is the "special permit" approach in which detailed, specification-oriented regulations are issued on a one-by-one basis instead of broader-based, simpler performance-oriented standards.

The RSPA has had a rulemaking underway for over three years to rewrite many of its regulations on a performance-oriented basis (HM-181). The Task Force judges this to be "critical to improving RSPA's method of operation." Yet the Task Force found that you do not plan to issue a final rule on this until 1988 and very little staff time was dedicated to accomplishing this.

The Task Force said, and I quote:

> Considering HM-181's importance, the Task Force anticipated that a substantial amount of staff resources would be dedicated to it.
>
> Yet, at all times during the Task Force review, not more than two persons were working on HM-181, and they were only dedicating half of their time to this activity.

Why is this rulemaking not receiving the attention it apparently deserves?

Ms. DOUGLASS. Let me say on this performance-oriented packaging standard, that I want more than anything in the world to get that——

Mr. LEHMAN. Let me ask you another question also and maybe you can answer them both at the same time.

Ms. DOUGLASS. Okay.

Mr. LEHMAN. Last year you testified that HM-181 would be finalized in 1986, but the Task Force reports that it is now expected in 1988. Why is this rulemaking slipping so badly? You can answer these two questions together.

Ms. DOUGLASS. Okay. This rulemaking is a very important rule, and I want to get this rule out. I have pulled together—I will want Al to comment further, if he wants to, but we have pulled together the staff. We have dedicated staff to it. We have asked if we can—and the Secretary has been supportive—if we can pull staff from the Coast Guard, or from the Bureau of Motor Carrier Safety. Or if there is any expertise within the Department that we could use, we have, the desire to do that.

The rule, though, is a very significant, and very complicated rule. We will be rewriting. We will be going over it and it will affect all of our rules, but, we will be rewriting 50 percent of our current regulations.

It will have a tremendous impact on industry. And we have been doing research. We have been working on parts of it.

When we get a part done, if it turns out, after our research, that we need to do more work we do. It is just a slow, arduous process.

It is not as simple as hiring some people and bringing them in. It would take a long time to get them up to speed, and take a significant amount of time. I guess, Al, could you comment further?

Mr. LEHMAN. This issue of two people, working part-time, keeps coming up, and I just wondered whether that was really true.

Ms. DOUGLASS. Let me ask Al. I do not think that two people part-time—one thing that does happen, we do have a small staff and we do need more staff.

And more staff will help, because right now, the people that are working on this, and spending a significant amount of their time on it, are also having to help us respond to Congressional inquiries, and to inquiries from constituents.

Mr. LEHMAN. You are looking at additional resources in the Department of Transportation like the Coast Guard, but what you are doing impacts on the Department of Energy, the Department of Defense, the Interior Department.

Why couldn't you have people detailed from the Department of Energy, for instance, to come in and help you on this work, because it is just as important to them as it is to DOT.

Ms. DOUGLASS. It is. Al, could you comment on that. Al, explain your background here. You have been in the regulatory area with the Department for a long time.

Mr. AL ROBERTS. Since 1967.

Ms. DOUGLASS. So for about 20 years.

Mr. AL ROBERTS. The same people that are working on this program are also the specialists who respond to inquiries from the public, and industry, issuing interpretations, and responding to all kinds of correspondence. They have a very heavy telephone workload, and we have had to divert them from this task on a number of occasions based on other priority projects. For example, our

docket HM-196 on volatile and toxic liquids which we completed in about seven months, from its inception to issuance of the final rule.

Ms. DOUGLASS. Can we pull people, though, from other Departments or——

Mr. AL ROBERTS. Well, I guess the answer to that is yes, if all the parties agree, but one of the problems with that, though, would be bringing the people up to speed in order to assist us in drafting this kind of a rulemaking.

Ms. DOUGLASS. How long does it take to bring people up to speed, provided they are technical experts? I know it depends on how much experience they have.

Mr. AL ROBERTS. Well, on the average, we figure that the employee starts to pay us back our investment in training and experience in about six months to a year, and given that it is an evolving process in terms of them learning and obtaining the expertise to deal with regulatory matters in a very diverse field. The HM-181 docket was the basis for this inquiry. Each time we approached it, we thought we had a simplified approach to it, something else came up that required us to examine it.

For example, the performance standards issue basically relates to small packagings, up to, say, 55-gallon drums, but, as we started to re-write the regulations, we realized we had to take a very hard look at cargo tanks, tank trucks, portable tanks, and railroad tank cars, as to their authorized use to transport these commodities.

And so that is a process we are going through now, to upgrade the standards for bulk packagings at the same time we are dealing with performance packagings.

Mr. LEHMAN. The thing that bothers me is something similar to what you just said. As you get into the situation you find out how complicated and how complex it is, but up until this year, everything seemed to be moving along—as you said, up to speed.

But all of a sudden we now find ourselves with the most important kind of rulemaking that has slipped for two years beyond when its being completed was anticipated. I would just hope that you would go back to your Department and see if you could explore the possibility of getting the kind of resource people that could expedite this particular regulatory facet of your operation, which I think is so very important, and not let it dangle in the wind for another two years.

Ms. DOUGLASS. I appreciate that.

Mr. LEHMAN. Is the 1988 date absolute, or is there a possibility of its slipping further unless you get some additional resource people?

Ms. DOUGLASS. Well, again, Al could even comment on that——

Mr. LEHMAN. I think 1988 should be the "worst case" but I would not want you——

Ms. DOUGLASS. Yes.

Mr. LEHMAN. I am sorry to interrupt you.

Ms. DOUGLASS. Well, I get extremely frustrated on this very thing, and I hope it does not slip. I agree with you.

Mr. LEHMAN. We want to work with you on this. I think we are both trying to do the same thing but I think we will both have to "rattle a few cages" to get the attention we need for something like this.

Ms. DOUGLASS. Well, can you imagine me having to come before you next year and having the same situation? I do not want to. I can assure you that we are going to do everything we can do.

Mr. LEHMAN. We certainly do not want to have something happen in the meantime because these regulations were not in force. I think it is important that we move these materials, but we must move them safely as you say, on a kind of an overall basis.

PACKAGING AND PLACARDING REQUIREMENTS

Mr. LEHMAN. Last year we had a long discussion about the inadequacies of your hazard classification system. The example, of course, was the fact that you classified methyl isocyanate (MIC)—the chemical that killed 2,000 people in India—only as a flammable liquid, not a poison.

At the NTSB's request, you issued an emergency rule to address this situation. Would you update us on the implementation of this rule, and tell us if these highly toxic poisons are now properly labelled when being transported?

Ms. DOUGLASS. Well, the final rule was issued in the Federal Register on October 8, 1985, and two implementation dates were specified. For larger packages the date was May 1, 1986, and for smaller packages, the effective date is October 1, 1986.

PACKAGING AND PLACARDING RULE

Mr. LEHMAN. Please provide for the record a copy of the final rule regarding packaging and placarding requirements for these poisonous liquids that was issued last October.

[The information follows:]

r.35a

federal register

Tuesday
October 8, 1985

Part II

Department of Transportation

Research and Special Programs Administration

49 CFR Parts 172 and 173

Packaging and Placarding Requirements for Liquids Toxic by Inhalation; Final Rule

DEPARTMENT OF TRANSPORTATION

Research and Special Programs Administration

49 CFR Parts 172 and 173

[Docket No. HM-196; Amdt. Nos. 172-99 and 173-190]

Packaging and Placarding Requirements for Liquids Toxic by Inhalation

AGENCY: Materials Transportation Bureau (MTB), Research and Special Programs Administration, Department of Transportation.

ACTION: Final rule.

SUMMARY: This action is being taken to incorporate into the Department's Hazardous Materials Regulations special marking, labeling, packaging, placarding, and shipping paper requirements for certain poisonous liquids based on their potentially severe inhalation hazards.

This action is based on an assessment of the adequacy of the present regulations and a determination that improvements are necessary.

These amendments are considered necessary to improve the communication of the presence of, and packaging for, certain materials in transportation that, if released, may pose severe and immediate risks to the public, transportation workers and emergency response personnel.

EFFECTIVE DATE: These amendments are effective on January 1, 1986.

FOR FURTHER INFORMATION CONTACT: Darrell L. Raines, Standards Division, Office of Hazardous Materials Regulation, Materials Transportation Bureau, Washington, D.C. 20590, (202) 426-2075.

SUPPLEMENTARY INFORMATION: As a result of a release of a hazardous material identified as methyl isocyanate at a pesticide plant in Bhopal, India, on December 3, 1984, the National Transportation Safety Board (NTSB) requested that the Department re-examine its system of hazardous materials identification and classification, and to update it in accordance with current technology in order to raise the minimum level of protection provided in the Hazardous Materials Regulations. On February 7, 1985, the MTB published a Notice of Proposed Rulemaking, Docket No. HM-196; Notice No. 85-1 (50 FR 5270) proposing special packaging and communication requirements for certain poisonous liquids based on their potential inhalation hazards. An extension of time to file comments was published in the Federal Register on March 13, 1985 (50 FR 10088).

The MTB received forty-five comments regarding Notice No. 85-1. Most of the commenters were basically supportive of MTB's efforts to establish a higher level of safety for the materials addressed by the Notice. However, practically all of the commenters had specific concerns and comments regarding the proposed changes.

Three of the comments received were general in nature and did not recommend any specific changes to the regulations. Four commenters were in favor of MTB issuing a second notice of proposed rulemaking, incorporating knowledge gained from comments submitted to the current docket. MTB believes this rule is too important to delay further and does not agree that another notice of proposed rulemaking is necessary or appropriate.

Several commenters were concerned about the lack of a provision that will allow continued shipping of those materials that are presently in the transportation system. MTB agrees that sufficient time must be allowed in order for the shippers of materials affected by this final rule to bring their practices into conformance therewith. In § 173.3a(d), a priority has been established for compliance first in regard to shipments in bulk packagings (May 1, 1986) with compliance for non-bulk packagings five months late (October 1, 1986). This should provide ample time for shippers to implement the requirements of this rule.

A major concern expressed by several commenters pertained to the application of the proposal to small or limited quantities of materials. MTB agrees that this final rule should not apply to materials packaged in primary containment units of one liter or less. An exception is the labeling requirement specified in § 172.402(a)(10) which is consistent with the POISON labeling requirement for all limited quantities that meet the definition of the Poison B class. MTB believes the present shipping paper requirements for limited quantities, the POISON label which must be displayed, and small quantities of material per primary containment unit (inside package or container) justify the exclusion of limited quantity packages from the application of this final rule. In addition, § 173.4 is amended to authorize an exception of one gram quantities of liquids that are toxic by inhalation with the exception of those not authorized under § 173.4(a)(1)(iii).

One commenter suggested that the words "Poison-Inhalation Hazard" be included as part of the label which would be affixed to packages containing such materials. The commenter stated that this information would provide visibility to those having contact with the package. MTB agrees in principle with this suggestion and has amended § 172.301 to require the words "Inhalation hazard" in association (near) the required label(s) on packages. Excluded are one liter quantities as discussed above.

Several commenters stated that when "Poison by Inhalation" is a subsidiary risk identifier, the U.N. hazard class number located in the bottom quadrant of the placard should not be required. Also, the four-digit ID number should not be an integral part of the subsidiary risk "POISON" placard. MTB agrees with these commenters, and neither the display of U.N. hazard class numbers nor the four-digit ID numbering requirements have been changed by this rule.

MTB does not agree with the one commenter who recommended that §§ 176.30(a)(6), 176.30(b), 176.74, and 176.83 be amended. Paragraph (k)(4) of § 172.203 requires the words "Poison Inhalation Hazard" to be entered on the shipping paper. Since § 176.30(a)(6) and § 176.30(b) requires the information to be the same as required by § 172.203, repeating the same requirement in Part 176 is redundant. Also, special attention in § 176.74, 176.76 and 176.83 is not considered necessary in light of the requirement specified in § 176.24.

A majority of the commenters recommended that § 172.101 Table be amended to identify those materials that are subject to this rule. It is apparent that many of these commenters believe that the burden for such a determination should rest fully on MTB. Such a view raises fundamental questions concerning the basic structure of the hazardous materials transportation scheme of regulation which has been in use more than 75 years i.e., a material is, or is not, subject to regulation according to classification criteria (e.g. § 173.115 for flammable liquids) or special criteria (e.g. § 173.4 for special exceptions). It has been estimated that more than 30,000 different chemicals (including compounds and mixtures or formulations) are shipped in commerce subject to the HMR and most are not listed by name in § 172.101. In most cases it is the criteria (or descriptive definitions in certain cases) that shippers must use to determine whether materials offered for transportation are subject to the HMR.

MTB construes some of these comments as endorsing a system of preclearance, i.e., notification of MTB when a new material is to be introduced

into commerce. This would be before the first shipment in order for MTB to acknowledge the material by listing, or other means, based on the data provided by the shipper concerning the material. As a matter of practicality, this option is not viable based on the present staffing in MTB to exercise its HMR program nor would it be a desirable imposition on shippers of hazardous materials.

Several commenters suggested that special requirements in § 173.3a would be overlooked if special identifications were not provided in the § 172.101 Table for each material affected by the rule. MTB is concerned, and somewhat confused, by this view. There are a number of special requirements not specifically addressed in the Table. For example, there are special packaging requirements for shipment by aircraft in § 173.6. There are special prohibitions in § 173.21. There are also special exceptions provided in the regulations that are not addressed in the Table, e.g., § 173.3 for use of "salvage drums" and § 173.4 for small quantities. Also, it appears that several commenters based their comments on the Table alone without consideration of the rules in § 172.101 which introduce the Table and its applicability. In order to provide added clarification concerning use of the Table, a new sentence is added at the end of § 172.101(a) emphasizing the existence of other requirements in Parts 171 (e.g., § 171.12 for imported packages), Part 172, and Subparts A and B of Part 173. This emphasis also includes the applicability of new § 173.3a.

Two commenters suggested that MTB create a new hazard class for "Toxic by Inhalation" equal in status to the other hazard classes. MTB does not believe that adoption of a new hazard class is necessary to accomplish the purpose of this rule, consistent with the proposals set forth in the NPRM. As stated in the preamble of the NPRM, the entire classification scheme will be considered under Docket HM-181. In the meantime, in MTB's opinion, the U.N. criteria for inhalation toxicity hazard are the most appropriate ones for the purpose of this rulemaking.

Several commenters expressed concern about the mechanics involved in obtaining approvals for new packagings that may be required. Also, they expressed concern about the workload and time it would take to obtain an approval. MTB intends to give priority treatment to requests for approval—in particular those presenting data usable for comparison with materials addressed by specific packaging provisions in Part 173 (other than n.o.s. packagings). In addition, elimination of packagings of one liter or less from the packaging requirements will relieve the approval burden to some degree. Also, the priority specified for implementation, as specified in § 173.3a(d), will serve to distribute the approvals burden over a longer period of time.

A few commenters stated that the Poison A packaging is too restrictive and that the proposed rules "go too far" and that they fail to consider the success of current practices. MTB recognizes that there are other packagings which have been used for several years that can be safely used for materials that are toxic by inhalation. For example, Specification 51 portable tanks and DOT-5 series drums are packagings that have an excellent safety record. Such packagings will be fully considered for approval by MTB pursuant to § 173.3a(a)(3).

One commenter stated that: (1) The MTB's proposed categorization of these materials appears to be more restrictive than that permitted by ICAO; (2) cargo aircraft shipment should be permitted for "Poison-Inhalation-Hazard" materials, particularly for small quantities (up to 1 liter or 1 kg); and (3) for small quantity research items, shippers should have the option of assuming that an item is a "Poison-Inhalation-Hazard" without actually having the LC_{50} data. The answers to this commenter are: (1) ICAO's criteria of whether a material is forbidden, or if permitted, the quantities permitted are based on a basic philosophy summarized in Table S-2-7 in the supplement of the Technical Instruction. Without printing the Table, the general rule is that any 6.1, Group I liquid, that is in Group I by virtue of inhalation hazard, is forbidden on both passenger and cargo aircraft. It is true that ICAO permits cargo aircraft shipment of some materials which may be subject to this rule because of their inhalation hazard. However, based on our participation in ICAO deliberations, we are certain that ICAO would have listed these as forbidden/forbidden if they had known that the material presented such a hazard, because the general rules in Table S-2-7 would have been applied. This was not done because ICAO has no way to tell from the UN listing of a material that it has been placed in Group I because of an inhalation hazard as opposed to an oral or dermal hazard. Once data on the inhalation hazard of these materials is available, we believe ICAO will forbid them on cargo aircraft. Methyl isocyanate will be forbidden on cargo aircraft with publication of the 1986 edition of the ICAO Technical Instructions; (2) MTB did not propose to change column (6) of the § 172.101 Table for materials subject to this rule; and (3) in § 172.402(h) provisions are already provided for shipment of samples for laboratory analysis.

Several commenters suggested that MTB establish certain reference sources for obtaining published LC_{50} data to limit the scope of the required literature search. Some of the commenters went on to suggest that the current edition of the NIOSH's "Registry of Toxic Effects of Chemical Substances (RTECS)" be used as the reference source. While MTB agrees that RTECS is a recommended source for obtaining LC_{50} data and uses it as the principle reference source, MTB does not wish to limit the reference sources to a few publications. We will accept use of credible LC_{50} data from any published reference. To avoid causing unnecessary confusion, the wording in § 173.3a(c)(4) is amended to reflect this view.

The recommendation that the definition of Poison A in § 173.326 be amended is not adopted. MTB does not find any immediate need to amend § 173.326. This section was not addressed in the proposal, nor did we receive any constructive suggestions on how it should be amended.

Three commenters suggested that a distinction (or clarification) be made between systemic poisoning and corrosive poisoning (poisoning due to destruction of tissue). This is not an easy task. As a safety issue, it is the end result that matters, not the precise mechanism by which the results are incurred. Therefore, MTB considers "Poison-Inhalation Hazard" to include both systemic and corrosive poisoning. The same commenters raised the question of how to convert LC_{50} data based on other than one hour exposure tests into one hour exposure values. They went on to suggest that for systemic poisoning the conversion factor should be based on the equation: Total dose = dosage × length of exposure. For example, LC_{50} values based on 4 hour exposure should be converted to one hour value by multiplying the LC_{50} (4 hour) value by 4, not 2 as proposed in the NPRM. They maintain that the same conversion factor (or straight line conversion) is not applicable to the LC_{50} values due to corrosive poisoning. MTB agrees with the reasoning for corrosive poisoning but disagrees with the 4 hour conversion factor for systemic poisoning. As stated in the NPRM, the criteria for inhalation toxicity came from the UN and is a result of several years

of intense work in which the U.S. (including industry) participated. Without any thorough evaluation, it is not prudent to arbitrarily create new criteria which certainly will cause more problems. The MTB is aware of the controversy and difficulties in using a conversion factor of two to convert an LC_{50} value based on 4 hour exposure to an LC_{50} value based on one hour exposure. This method is even more difficult to apply to LC_{50} values based on exposure times less than one hour or longer than 4 hours. However, the majority of LC_{50} data published are either based on one hour or 4 hour exposure times. All things considered, the UN criteria remains most appropriate for the purpose of this rulemaking. With regard to corrosive poisoning, MTB's position is that the only meaningful LC_{50} value is that obtained with one hour exposure time. MTB knows of no meaningful conversion method.

One commenter suggested that more exact test parameters be established to promote uniformity of LC_{50} testing. The same commenter recommended the use of the test procedure described in the Organization for Economic Cooperation and Development (OECD) for Acute Inhalation Toxicity. MTB has reviewed the OECD procedure and agrees with the commenter that, with minor modification, the OECD's procedure be used when conducting LC_{50} testing. The OECD procedure requires at least a four hour exposure period which is not as appropriate for transportation as for other situations. For transportation purposes the exposure time need not be greater than one hour and § 173.3a(c)(1) reflects this view.

Four commenters suggested that the definition of "Saturated Vapor Concentration" and the method of calculating it from vapor pressure data be elaborated on for clarification. MTB agrees with the suggestions and has amended §§ 173.3a(b)(2) and 173.3a(c)(2) accordingly.

More than one hundred chemicals were mentioned by the commenters as possibly being subject to this rule. MTB has reviewed those chemicals mentioned, using RTECS and other available literature, and has identified at least 36 that are considered to be subject to these rules. They are—

Acetone cyanohydrin
Acrolein, inhibited
Allyl alcohol
Allylamine
Bromine trifluoride
n-Butylisocyanate
Chlorine trifluoride
Chloroacetonitrile
Chloropicrin
Crotonaldehyde
Dimethyl hydrazine, unsymmetrical
Ethyl chloroformate
Ethyl isocyanate
Ethylene chlorohydrin
Ethyleneimine
Isopropyl chloroformate
Mesitylene
Methacrylonitrile
Methyl bromide
Methyl chloroformate
Methyl chloromethyl ether
Methyl hydrazine
Methyl isocyanate
Monochloroacetic acid, liquid
Nickel carbonyl
Nitric acid, red fuming
t-Octylmercaptan
Pentaborane
Phosphorus oxychloride
Phosphorus trichloride
Propionitrile
n-Propyl chloroformate
Tetramethoxy silane
Tetranitromethane
Titanium tetrachloride
Trimethoxy silane

Among these chemicals, eleven are not specifically listed by name in the § 172.101 Table and would be shipped using generic n.o.s. proper shipping names such as "Flammable liquid, n.o.s.", or "Poison B liquid, n.o.s." etc. The remaining 25 chemicals in the list are specifically listed by name in the § 172.101 Table. Four of them refer to § 173.119, and two of them refer to § 173.346, as the packaging requirements. MTB considers those packaging requirements to be deficient for reasons described in the NPRM. To remedy this, Column 5(b) of the § 172.101 Table has been amended by adding § 173.3a respectively for those six chemicals to require more restrictive packaging requirements. These amendments are not meant to imply that other materials are not subject to this rule. Also, the reason for leaving the § 173.119 or § 173.346 packaging requirements in the Table is to provide packaging requirements for mixtures and solutions of these chemicals which do not meet the inhalation hazard criteria of this rule (see § 172.101(c)(11)).

The following is a section-by-section summary of the amendments:

Amendments to Part 172

Section 172.101. A sentence, which did not appear in the Notice, is added to paragraph (a) to inform users of the regulations that not all requirements of general applicability are found in the references in the Hazardous Materials Table. A reference to § 173.3a has been added in column (5)(b) of the Hazardous Materials Table for 6 materials to inform shippers that these materials may not be packaged in all of the packagings provided in § 173.119 and § 173.346. However, those packagings may be suitable for certain mixtures or solutions of these materials that pose risks lower than concentrations making them subject to this rule;

Section 172.203(k)(4). The reason for adding this paragraph was discussed in the Notice. This section has been changed because commenters informed MTB that the original wording was ambiguous;

Section 172.301(a). This paragraph has been amended to require packagings over one liter and no greater than 110 gallons capacity to be marked "Inhalation Hazard" in association with the required label(s);

Section 172.402(a)(10). MTB is adding a new subparagraph requiring display of POISON labels, in addition to any other label required, for packages containing materials meeting the criteria specified in § 173.3a(b)(2);

Section 172.504(c). The revised sentence in this section has been changed slightly, for clarity, from that proposed in the Notice;

Section 172.505. In agreement with the suggestions of several commenters, a provision has been added to indicate that duplication of POISON placards is not required nor display of UN class numbers at the bottom of additional placards.

Amendments to Part 173

Section 173.3a. A subparagraph has been added to § 173.3a(a)(2) to except materials addressed in paragraph (b)(1) and (b)(2) of this section from the packaging requirements of (a)(1) and (a)(3) of the section when packaged in basic containment units having a rated capacity of one liter or less.

Some commenters said the wording in (b)(2) of this section was not clear and they were unable to tell whether "that value" referred to the LC_{50} value or the saturated vapor concentration. The wording has been changed to make it clear that it is the LC_{50} value.

Paragraph (c)(1) has been changed to incorporate a reference to the procedure of the Organization for Economic Cooperation and Development (OECD) as was requested by one commenter.

Paragraph (c)(2) has been expanded to provide more detail on the method of calculating the saturated vapor concentration from the vapor pressure of a material at 20 °C, as was suggested by some commenters.

It was pointed out by one commenter that the use of a multiplying factor to convert an LC_{50} based on a 4 hour

exposure to an LC_{50} equivalent to a one hour exposure is not valid for a material which causes death by direct pulmonary effect, as opposed to one which acts by systemic poisoning. A clarification has been included in (c)(3).

Paragraph (c)(4) has been changed to mention the RTECS as a source of LC_{50} data.

Paragraph (c)(5) has been added to authorize the use of a limit test instead of a precise LC_{50} determination when no data are available in the literature or when the data in the literature are questionable. This provision will reduce the number of test animals that must be used to accomplish the purpose of this rule.

Paragraph (d) has been added to specify a compliance date for bulk packagings, a later compliance date for non-bulk packaging, and to allow two years for determination of applicability based on a 48 hour rather than 14 day observation period.

The Research and Special Programs Administration has determined that this regulatory amendment is not a major rule under the terms of Executive Order 12291 but is a significant rule under DOT's regulatory procedures (44 FR 11034). This final rule does not require a Regulatory Impact Analysis, nor does it require an environmental impact statement under the National Environmental Policy Act (42 U.S.C. 4231, et seq.). A regulatory evaluation is available for review in the Docket.

Based on information available concerning size and nature of entities likely to be affected, I certify under the criteria of the Regulatory Flexibility Act that these amendments will not, as promulgated, have a significant economic impact on a substantial number of small entities.

List of Subjects

49 CFR Part 172

Hazardous materials transportation, Labeling, Packaging and containers.

49 CFR Part 173

Hazardous materials transportation, Packaging and containers.

In consideration of the foregoing, 49 CFR Parts 172 and 173 are amended as follows:

PART 172—HAZARDOUS MATERIALS TABLES AND HAZARDOUS MATERIALS COMMUNICATIONS REGULATIONS

1. The authority citation for Part 172 continues to read as follows:

Authority: 49 U.S.C. 1803, 1804, 1805, 1808; 49 CFR 1.53, unless otherwise noted.

2. In § 172.101, paragraph (a) is amended by adding a sentence at the end, and the Hazardous Materials Table is amended by revising certain entries, to read as follows:

§ 172.101 Purpose and use of hazardous materials table.

(a) * * * However, those references do not include other requirements having general applicability such as those specified in Parts 171 and 172, and Subparts A and B of Part 173, of this Subchapter.

§ 172.101 Hazardous Materials Table

• EAW	Hazardous materials descriptions and proper shipping names	Hazard class	Identification number	Label(s) required (if not excepted)	Packaging		Maximum net quantity in one package		Water shipments		
					Exceptions	Specific requirements	Passenger carrying aircraft or railcar	Cargo aircraft only	Cargo vessel	Passenger vessel	Other requirements
1	2	3	3(a)	4	5(d)	5(b)	6(a)	6(b)	7(a)	7(b)	7(c)
	REVISE										
E	Acetone cyanohydrin (RQ-10/4.54)	Poison B	UN1541	Poison	None	173.346 173.3a	Forbidden	55 gallons	1	5	Shade from radiant heat. Stow away from corrosive materials.
E	Allyl alcohol (RQ-100/45.4)	Flammable liquid	UN1098	Flammable liquid and poison.	None	173.119 173.3a	1 quart	10 gallons	1,2	1	
	n-Butyl isocyanate	Flammable liquid	UN2485	Flammable liquid and Poison.	None	173.119 173.3a	1 quart	10 gallons	1,2	1	
E	Crotonaldehyde (RQ-100/45.4)	Flammable liquid	UN1143	Flammable liquid and Poison.	None	173.119 173.3a	1 quart	1 gallon	1,2	1	
	Ethylene chlorohydrin	Poison B	UN1135	Poison	173.345	173.346 173.3a	1 quart	55 gallons	1,2	1	Segregation same as for flammable liquids.
	Methyl isocyanate	Flammable liquid	UN2480	Flammable liquid and Poison.	None	173.119 173.3a	Forbidden	10 gallons	1	5	Keep cool. Stow away from living quarters and sources of heat.

3. In § 172.203, paragraph (k)(4) is added to read as follows:

§ 172.203 Additional description requirements

* * * * *

(k) * * *

(4) If the inhalation toxicity of any material falls within the criteria specified in § 173.3a(b)(2) (subject to definitions and implementation conditions of (c) and (d) of the same section), the words "Poison-Inhalation Hazard" shall be entered on the shipping paper in association with the shipping description. However, the word "Poison" need not be repeated if it is entered as part of the basic description or in conformance with paragraph (k)(2) of this section. This paragraph does not apply to packagings having primary containment units of one liter capacity or less.

* * * * *

4. In § 172.301, paragraph (a) is amended by adding two sentences at the end to read as follows:

§ 172.301 General marking requirements.

(a) * * * In addition, if the inhalation toxicity of any material in a package falls within the criteria specified in § 173.3a(b)(2), the package shall be marked "Inhalation Hazard" in association with the required label(s). This additional marking requirement does not apply to packaging having primary containment units of one liter capacity or less and to packagings of greater than 110 gallons capacity.

* * * * *

5. In § 172.402, paragraph (a)(10) is added to read as follows:

§ 172.402 Additional labeling requirements.

(a) * * *

(10) A material falling within the inhalation hazard criteria described in § 173.3a(b)(2) shall be labeled with a POISON label in addition to any other label(s) required by this section. Duplication of the POISON label is not required.

* * * * * *

6. In § 172.504, the last sentence in paragraph (c) is revised to read as follows:

§ 172.504 General placarding requirements.

* * * * *

(c) * * *. This paragraph does not apply to portable tanks, cargo tanks, tank cars, transportation by air or water, or transport vehicles and freight containers subject to § 172.505.

* * * * *

7. In Part 172, a new § 172.505 is added to read as follow:

§ 172.505 Special placarding requirements for certain poisonous materials.

Each transport vehicle and freight container that contains a material subject to the "Poison-Inhalation Hazard" shipping paper description of § 172.203(k)(4) must be placarded POISON on each side and each end in addition to the placards required by § 172.504. This requirement also applies to portable tanks. Duplication of POISON placards is not required nor display of UN class numbers at the bottom of additional placards required by this section.

PART 173—SHIPPING—GENERAL REQUIREMENTS FOR SHIPMENTS AND PACKAGING

8. The authority citation for Part 173 continues to read as follows:

Authority: 49 U.S.C. 1803, 1804, 1805, 1808; 49 CFR 1.53, unless otherwise noted.

9. In Part 173, a new § 173.3 a is added to read as follows:

§ 173.3a Packaging; special requirements for certain poisonous materials.

(a) Nothwithstanding the packaging requirements and authorizations referred to in paragraph (b)(1) of this section (including exemptions referring thereto), no person may offer for transportation a material addressed by those sections that also meets the criteria of paragraph (b)(2) of this section except in a packaging—

(1) Specified in Subpart H of this part for any Poison A material if the packaging is made of materials that are chemically compatible with the hazardous materials;

(2) The basic containment unit of which has a rated capacity of one liter or less and that is otherwise offered for transportation in conformance with this Chapter; or

(3) Approved by the Associate Director for HMR based on a determination that the packaging provides a level of safety equivalent to a packaging authorized in this Chapter for Poison A materials, or to packagings authorized for a hazardous material having similar hazards addressed by a specific packaging regulation of this part.

(b) This section applies to any liquid material other than a liquefied compressed gas—

(1) Addressed by the Table in § 172.101 (Column 5b) of this subchapter to a packaging requirement prescribed in §§ 173.119, 173.125, 173.134, 173.154, 173.221, 173.254, 173.249, 173.346, or 173.352, or which is addressed by an exemption, issued under Subpart B of Part 107 of this chapter, that refers to one or more of those section for the purpose of packaging authorization; and

(2) Having a saturated vapor concentration at 20°C(68°F) equal to or greater than ten times its LC_{50} (vapor) value if the LC_{50} value is 1000 parts per million (ppm) or less.

(c) For the purposes of this section—

(1) LC_{50} means the concentration of vapor that, when administered by continuous inhalation of both male and female young albino rats for one hour, is most likely to cause death within 14 days to one half of the animals tested. The result is expressed in milliliters per cubic meter of air (ppm). Wherever practicable, the test should be conducted in accordance with the procedure described in the Organization for Economic Cooperation and Development (OECD) for Acute Inhalation Toxicity except that the periods of exposure shall be one hour instead of four hours.

(2) Saturated vapor concentration (SVC) means the concentration of vapor at equilibrium with the liquid phase at 20°C(68°F) and standard atmospheric pressure expressed in milliliters per cubic meter (expressed in ppm). This concentration may be calculated from the vapor pressure (VP) of the liquid at 20°C(68°F). The general formula is the vapor pressure divided by the standard atmospheric pressure and multiplied by a million. If the vapor pressure is expressed in millimeters (mm) of mercury the calculation would be

$$\frac{VP(\text{in mm Hg})}{760} \times 10^6 = SVC \text{ (in ppm)}$$

(3) If LC_{50} data are available based on other than a one hour exposure, a factor may be used to determine an acceptable one hour value for the purposes of this section. If the only value available is for a 4 hour exposure, that value is multiplied by 2. This method of estimating a LC_{50} value may not be used when a material causes death by direct pulmonary effect, i.e., by destruction of lung tissue as opposed to systemic poisoning. For these corrosive poisons, the exposure period must be one hour.

(4) LC_{50} data published in scientific and technical handbooks, journals and texts may be used in place of new tests using animals to determine compliance with this section. Where different values for the LC_{50} of a material are found, the most credible value must be used. The Registry of Toxic Effects of Chemical Substances (RTECS) published by NIOSH is a recommended source of these data.

(5) *Limit test.* As an alternative to determine a LC_{50} value, the following procedure may be used to determine whether a material is subject to this section: The saturated vapor concentration at 20°C(68°F) is determined as in paragraph (c)(2) of this section. This then is divided by 10 and the resulting concentration used to test 10 animals in accordance with the OECD procedure noted in paragraph (c)(1) of this section, with a one hour exposure period. If 5 or more animals die during the 14 day observation period, the material is subject to this section. For example: If a liquid has a saturated vapor concentration of 500 ppm at 20°C, the concentration used in the test outlined in this paragraph would be 50 ppm.

(d) The requirements of this section, and other requirements of this subchapter referring to this section for application, are effective as follows:

(1) Transportation in packagings having capacities greater than 110 gallons after April 30, 1986.

(2) Transportation in packaging having capacities of 110 gallons or less after September 30, 1986.

(3) Until January 1, 1968, LC_{50} or limit test data based on a 48 hour observation period may be used in place of a 14 day observation period.

10. In § 173.4, paragraph (a)(1)(iii) is revised to read as follows:

§ 173.4 Exceptions for small quantities.

(a) * * *

(1) * * *

(iii) One (1) gram for authorized materials classed as Poison B or subject to the "Poison-Inhalation Hazard" shipping paper description requirements of §172.203(k)(4); and

* * * * *

Issued in Washington, D.C. on October 3, 1985 under authority delegated in 49 CFR Part 1, Appendix A.

M. Cynthia Douglass,

Acting Director Materials Transportation Bureau.

[FR Doc. 85-23977 Filed 10-7-85; 8:45 am]

BILLING CODE 4910-60-M

Mr. LEHMAN. The NTSB has said that, although your October rule was a good first step, you have—and I quote—"failed to address adequately the problems of toxic liquids and failed to acknowledge the toxic problems of certain materials in the solid and gaseous states as well." As we understand it, the NTSB believes that there are many other toxic materials, specifically gases and solids, that pose the same problem as volatile liquids such as MIC, but are not covered by your regulations.

When will you begin rulemaking action to cover these other toxic materials?

Ms. DOUGLASS. Well, again, on that issue, we are aware of that concern of NTSB. We are doing work right now on gaseous and solid materials and the regulations on those are undergoing a significant amount of work and we are spending time on that.

We did recognize a serious shortcoming with regard to the MIC and some other very hazardous chemicals like that. We do not see the same problem for gases or solids. We do have regulations for those. We are in the process of working to improve those but I am not exactly sure what their biggest concern is here. Because on the very toxic gases and solids we already do have regulations that are similar to our final rule for MIC. And for these hazardous but not as hazardous gases and solids we are working on that and we just have not pulled together that very significant effort that it took to get that one rule completed in seven months.

That was a significant undertaking.

Mr. LEHMAN. But you do consider liquid different from gas and solids as far as the way that you treat them as hazardous materials?

Ms. DOUGLASS. Well, this is getting technical but I think that——

Mr. LEHMAN. Why don't you just answer that for the record?

Ms. DOUGLASS. All right.

Mr. LEHMAN. I just want to find out if you treat them differently, and if you do, why?

Ms. DOUGLASS. Okay.

[The information follows:]

Under the hazardous materials regulatory scheme, liquids, gases and solids are treated differently because of their unique physical properties. In addition the degree of hazard may vary depending on the physical state of a given material. All of these issues are carefully factored into our decisions before we issue a regulation. For example, with regard to gases, it is important to note that those gases which pose the greatest threat to public health and safety are currently required to be shipped in cylinders, perhaps the strongest packaging we regulate.

NTSB RECOMMENDATIONS

Mr. LEHMAN. Please provide for the record a copy of the NTSB's March 1985 letter to RSPA on this subject and also provide a detailed, point-by-point response to the issues raised.

[The information follows:]

A copy of the NTSB's letter is submitted for the record. RSPA did not respond directly to the NTSB letter because it was received during the comment period on the rulemaking proposal under Docket HM-196. Following publication for the final rule, letters addressing identical issues were received from Congressmen Florio and Walgren. The Secretary's response to the issues raised is as follows:

"The Department is involved in an ongoing significant rulemaking under which we are reviewing and revising a substantial portion of our Hazardous Materials

Regulations. The review encompasses the classification or designation of the level of hazard, packaging, marking, labeling, and placarding of hazardous materials, and extends to solids, liquids and gases. In the wake of the tragedy in Bhopal, India, last December, we decided it was in the public interest to expedite the review of that portion of our ongoing rulemaking dealing with the particular commodity involved in that accident, methyl isocyanate (MIC), and all other liquids posing the same or substantially similar risks. The rule was issued in a few short months and I am pleased that you have noted our responsiveness to this problem. Please be assured that our work on gaseous and solid materials has continued and that these hazards have not been ignored. The regulation presently under development continues to be one of our most significant hazardous materials rulemaking efforts. Furthermore, it is important to note that those gases which pose the greatest threat to public health and safety have historically received the most attention and are already required to be shipped in packagings of very high integrity.

"You also expressed concern about our handling of requests for exemptions from our rules. In establishing the level of safety for packagings in the final rule, we recognized that alternative packagings that are not specifically identified in the rule may be suitable for transporting volatile poisonous liquids. Therefore, as you noted in your letter, we made provision for approval of additional packagings. The approval is deemed appropriate because safety level requirements for packagings are clearly stipulated in the rule. Shippers have the opportunity to select, and seek approval for, alternative packagings, but before any shipment actually takes place, the Department must review and approve such packagings. The approval process in effect provides us with an opportunity to examine each alternative packaging selected to be assured that the intent of the rule is not compromised.

"Individual applications for approval are not subject to public comment according to our procedures. However, we believe the public interest is protected because the level of safety in the rule is not subject to diminution. Furthermore, in accord with our procedures, all records related to approvals, pending and issued, are available for public inspection. In the event that a shipper would apply for an exemption from our regulations, such an exemption would be subject to full public notice and comment preceding any decision. There is no clause in the rule which circumvents this established procedure."

1-111 196 V

National Transportation Safety Board
Washington, D.C. 20594

Office of the Chairman

p.38c

March 27, 1985

Dockets Branch
Materials Transportation Bureau
400 Seventh Street
Room 8426, Nassif Building
Washington, D.C. 20590

Dear Sir:

The National Transportation Safety Board has reviewed your Notice of Proposed Rulemaking (NPRM), "Packaging and Placarding Requirements for Liquids Toxic by Inhalation," Docket No. HM-196, Notice No. 85 published on February 7, 1985, at 50 FR 5270. The Safety Board is pleased that you have taken prompt action to address the issues raised in the Board's letter of December 19, 1984, which pointed out some limitations of the present hazard identification and classification system concerning the toxic hazards certain materials pose to public health and safety.

The NPRM addresses only some of the issues raised in the Board's letter. The Board remains concerned that many toxic materials are not covered by this proposal, that the proposed hazard identification process will not be integrated into the hazard classification system, that the scientific basis for the proposal is imprecise, and that a new exemption process is being added. The following comments address the Board's concern in specific terms:

1. Omission of Many Toxic Materials - The proposal covers only liquids which pose toxic hazards by inhalation: gaseous and solid materials are not addressed. Thus, the toxic hazards posed by materials such as phosphorous pentasulfide (classed as a "Flammable Solid" and labeled as a "Flammable Solid" and "Dangerous When Wet") and anhydrous ammonia (classed as a "Nonflammable Gas" and labeled "Nonflammable Gas") which are recognized as posing toxic hazards will continue to go unaddressed.

2. Postponement of Consideration of Certain Liquids - Even in the context of a proposal which is limited to liquids, the proposal would not reach liquids such as acrolein and fuming nitric acid which pose equally high toxic hazards as those subject to the proposed rule. Your rationale is that the products currently are subject to specific packaging

standards and that these standards are under review in Docket HM-181. The Board notes that this docket has been open since November 1, 1982, and the Safety Board understands that final rulemaking is not imminent. Moreover, and more importantly, the current packaging standards are not as stringent as those for Poison A materials, e.g., the standard for acrolein in 49 CFR 173.122. The Board believes that all materials falling within any new toxicity standard should be governed by the new regulations. The Safety Board recognizes that a transition period probably is necessary for many materials currently being shipped in large volume because immediate application to such materials may disrupt their transportation through the unavailability of packagings and routing limitations imposed by communities on the transportation of poisons. Such considerations should not defer the immediate identification and placarding of all liquids toxic by inhalation; therefore, the Safety Board urges that the new standard be put into effect immediately for all similar products and, if determined necessary, separate action be taken to ease any transition problems.

3. Integration of Toxic Hazard Identification and Classification - The thrust of the NPRM is an upgrading of packaging and documentation requirements for a limited number of materials with toxic hazards. While these changes are appropriate and as noted above should in our view be more widely applied, the NPRM does not address the fundamental question of the classification of poisons. It is apparent from the proposed packaging requirements that the materials addressed by the NPRM pose similar risks as Poison A materials. However, in the absence of guidelines in 49 CFR to distinguish between the ten Poison A materials and other materials, there is no basis to assess the validity of the proposed packaging requirements or to determine whether they are being extended to all materials posing similar hazards. The Safety Board continues to urge that the underlying classification system be examined and rationalized on a scientific basis related to all risks posed by the products in transportation.

4. Scientific Basis for the Proposed Toxic Standard - The proposed standard for identifying materials which pose significant toxic hazards to public health and safety is not based on scientific findings which reflect the potential hazards associated with the transportation of these materials, either in limited or bulk quantities. Particularly, the Board is concerned over the use of the LC_{50} value and the definition of a toxic liquid as a material that has a vapor concentration at 20°C at least 10 times the LC_{50}. This appears to be an unduly high threshold which probably will not encompass some materials that pose substantial toxic hazards. Until scientific data are developed for determining the proper multiple of the LC_{50} to compare with the vapor pressure of materials, the Safety Board believes a more conservative number should be used.

5. Exemption Clause - The special exemption process proposed in this rulemaking does not seem appropriate. The general exemption clause in 49 CFR 107 seems adequate; moreover, it has the advantage that it provides for public comment concerning the appropriateness of any relief sought and as well requires that any exception to the requirements be shown to provide equivalent safety. The Board believes the existing exemption provision will lead to more informed decision making.

Even though the NPRM addresses only liquids which are toxic by inhalation, the Safety Board urges the expedited completion of this rulemaking. With the incorporation of the above suggestions, it will address a substantial range of materials in commerce which present severe toxic hazards. The Board urges also that expeditious action be taken to address non-liquid materials and to proceed with additional research to develop accurate classification standards based on scientific findings which reflect the range of potential hazards associated with the transportation of hazardous materials.

Respectfully,

Jim Burnett

Jim Burnett
Chairman

Mr. LEHMAN. The NTSB also recommends RSPA conduct safety analyses and risk assessments to determine if some of these toxic chemicals are classified correctly. RSPA apparently disagrees with this approach. Why?

[The information follows:]

The RSPA agrees with the need to conduct safety analyses and risk assessment. In fact, such assessments are currently required for all rulemakings under legislative mandate and Executive and DOT policies. As an example, we recently addressed certain toxic liquid materials under DOT HM-196 and conducted safety analyses and risk assessments in this rulemaking. At the present time, our efforts are directed toward Docket HM-181 which is a review of the classification system for all materials, including those with toxic characteristics. In this effort, safety analyses and risk assessments are being made.

HIGHWAY CARGO TANK RULEMAKING

Mr. LEHMAN. What is the present projected date for completion of HM-183 which is intended to develop improved specifications for highway cargo tanks?

And what, if any, delays does RSPA anticipate that may prevent it from meeting the expected completion date?

[The information follows:]

The highway cargo tank issues in dockets HM-183 and HM-183A constitute a very complex and controversial notice of proposed rulemaking. As a result of requests from numerous parties, including the American Petroleum Institute, the Compressed Gas Association, the National Tank Truck Carriers, Inc. and the Truck Trailer Manufacturers Association, the comment period was extended from February 11, 1986 to May 22, 1986. RSPA expects a large number of lengthy and complex comments proposing numerous regulatory alternatives on the many issues encompassed by HM-183 and 183A. We estimate that the evaluation of these comments, the benefit/cost and flexibility analyses of many alternatives, and the drafting of the final rule will be completed in December 1986. Based upon a normal review process the final rule will be published in the spring of 1987.

RSPA anticipates, because of the controversial nature of a number of the issues addressed by HM-183, a number of requests for the publication of a second Notice of Proposed Rulemaking instead of the publication of a Final rule. If these requests are adequately supported, and RSPA is compelled to publish a second NPRM, the publication of the Final Rule will be delayed by an estimated 9 to 12 months.

PIPELINE REGULATIONS

Mr. LEHMAN. In the area of pipeline regulations, are there presently any evaluations ongoing to identify regulatory differences in the standards for natural gas pipelines and for liquid pipelines?

[The information follows:]

We initiated an evaluation in 1985 of the regulations set forth in Parts 192 and 195 for welding steel pipe. The first result of this study is a rulemaking to conform the rules relating to welding procedures and welder qualification. This will be completed with publication of a final rule in April 1986. The final study report recommends further rulemaking to conform the balance of the welding regulations in Parts 192 and 195. Rulemaking action to accomplish this is scheduled for completion by December 1986.

Mr. LEHMAN. Do you agree with statements of the Safety Board that the standards imposed on natural gas and liquid pipelines provide for greatly differing levels of safety for the public residing or working adjacent to these pipelines?

[The information follows:]

RSPA does not agree with the Safety Board. When the statistics for the 10-year period 1975–1984 are compared, there were 0.00029 fatalities per mile of gas transmission pipeline and 0.00021 fatalities per mile of liquid transmission pipeline.

RSPA understands that the statements about differing levels of safety pertain to the fact that the gas standards provide for public safety by, in part, using the concept of four "class locations." The higher the number of a location, the higher the population density and the more restrictive the standards. The liquid standards do not have the same concept, but provide for public safety by, in part, using distances from dwellings and buildings and the amount of cover over buried pipelines. The main reason for the difference is the high amount of kinetic energy in a gas pipeline as compared to the low amount in a liquid line.

RAIL TANK CAR REGULATIONS

Mr. LEHMAN. Why has DOT maintained the delegation to the Association of American Railroads for developing standards for the design and repair of tank cars used for transporting hazardous materials?

What is done to monitor the actions by the Association of American Railroads?

[The information follows:]

The Committee on Tank Cars of the Association of American Railroads (AAR) created near the turn of the century, has long performed the function of ensuring adherence to industry-wide rules governing the design, construction, and alteration of railroad tank cars (irrespective of commodity). As Federal tank car standards were introduced, beginning at the ICC in the late 1920s, the Committee, given its expertise, became the Government's logical delegate for policing compliance with the Federal rules as well. The record over the past fifty years demonstrates the overall success of this delegation in producing, without any substantial Government involvement, hazardous materials tank cars that comply with Federal regulations, as well as with AAR's own detailed standards.

Any railroad tank car used for a hazardous material must conform to DOT's detailed regulations concerning dimensions, construction materials and methods, safety features, and testing procedures. These regulations, which are issued by RSPA after consultation with the Federal Railroad Administration (FRA) vary in part according to the type of car (DOT specification number) and the particular hazardous commodity.

The AAR Committee's preconstruction review of a tank car builder's proposal includes a determination whether the plans conform to the Department's (Part 179) standards. Following construction of the tank car and prior to its use, the builder certifies to the Committee that all such standards, including additional AAR requirements, are met.

In addition, no company can build, alter, or repair tank cars without certification by the Tank Car Committee—A process entailing inspection of a prototype car and the builder's facility and a review of its employees' qualifications. Each builder is recertified every five years and is subject to further audit any time questions are raised about the quality of its work.

FRA has enforcement responsibility for the hazardous materials regulations pertaining to rail transportation. Enforcement action lies against a company that knowingly builds a tank car in violation of Federal regulations or a shipper who knowingly ships a hazardous material in a noncompiying car. Although FRA does not inspect every finished car prior to placement in service, its inspectors frequently inspect tank cars to determine compliance with design standards (an extremely rare violation), and with other regulations covering proper maintenance, marking, placarding, handling, and loading of hazardous material tank cars.

HIGHWAY TRAILER REGULATIONS

Mr. LEHMAN. What, if any, regulation does the DOT have over the design of highway trailers to assure that these vehicles are structurally sound for transporting containers of hazardous materials?

[The information follows:]

DOT develops and approves design standards for bulk tank trailers for the transport of hazardous liquids. In addition, DOT regulates the operation and integrity of all highway trailers through performance standards. As an example, the Federal

Motor Carrier Safety Regulations require vehicles to be systematically maintained, and list major subsystems that are included in that requirement. Further, it is a violation of the Federal Motor Carrier Safety Regulations to operate any commercial vehicle shown by inspection to be defective or unsafe. These requirements apply to all carriers, including hazardous materials transporters.

INTERAGENCY COORDINATION

Mr. LEHMAN. The Secretary's Task Force also reported that many private sector groups claim "that there is a lack of consistency and lack of communication" between RSPA and EPA in matters of mutual interest. Specifically, they said that different testing procedures used by the two agencies for classifying materials created confusion, and that the two agencies often duplicate efforts and fail to tap the expertise of the other agency. Why aren't these two agencies doing a better job in coordinating their activities?

Ms. DOUGLASS. First of all, when I came to RSPA I did feel that there was not enough coordination in the hazardous materials area between RSPA and not just EPA but other agencies as well.

So, one thing that we did do, we did get placed on the National Response Team which is a team of federal agencies put together under the Superfund legislation and the idea was originally to coordinate on hazardous spills on water. However, I talked with Lee Thomas when I first came and Lee and I—Lee was an associate administrator, I believe, at that time, and we decided to expand the National Response Team and that RSPA would go on the team.

We are now on the team and we sit down and talk with all the other agencies—OSHA, and everyone else along those lines. So we do communicate in that regard. We do have memorandums of understandings and we have begun this year to sponsor many more workshops together with FEMA and EPA on emergency response.

Our rulemakings have been coordinated and again, I will submit this for the record, but with EPA specifically, we have a number of things going on together in regard to rulemaking.

So I think that our coordination is pretty good. We do have a little bit of a problem in that we have a fairly small staff and EPA has a very huge staff. It is something like 12,000 to our 65 or 70 people and that creates a little bit of a problem.

But in our area of transportation, we feel we do work hard to communicate with EPA.

[CLERK'S NOTE.—Information was provided for Committee files.]

Mr. LEHMAN. Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman.

EPA is in my other Appropriations Subcommittee and you are exactly correct; we provide a lot of money to EPA to determine and classify various toxic materials. I would think that you could use their expertise in the classification process and they your expertise in transportation, that you would not have to spend an awful lot of time and expertise in classifying materials.

Ms. DOUGLASS. This is very interesting, but Al, you might want to comment on that because I believe that our system for classification is the system that EPA, in many respects, looks to. They come to us in many respects on this.

Go ahead.

Mr. ROBERTS. Mr. Coughlin, over the years we have worked with EPA on hazardous waste regulatory matters, so that we do not have a duplication of effort. EPA relies very heavily on our transportation requirements. For example, on the hazardous waste manifest which is promulgated by EPA the requirement is to use the Department of Transportation shipping name on the manifest and the international identification code which is used for emergency response purposes.

And we also work with EPA and behind them on hazardous substances, pursuant to Section 306 of the CERCLA statute. EPA makes a determination of what is a hazardous substance, in a given quantity and then after they complete their rulemaking work, we publish our regulations for transportation purposes incorporating by reference the work already done by EPA in classification.

Mr. COUGHLIN. That was what I was saying. In terms of determining what is hazardous and what is not, they have got a lot more resources being devoted to that than you would have and you should be able to use that resource, in determining what is hazardous and what is not and then you have to decide how it is to be transported at that point.

Mr. ROBERTS. Right, they make all the determination in the hazardous substances area as to what is to be listed as a hazardous substance and the reportable quantity of it for the discharge notification requirements.

And in the other sense, they adopt by reference the DOT system for the waste manifest requirements because it is widely recognized nationwide, by enforcement and emergency response personnel. I think the history of our relationship with EPA has been rather good. At the present time, we are a little late in publishing the current list under CERCLA that we do, but we are going to finish it soon.

Ms. DOUGLASS. I do want to jump in here and say that we do communicate and coordinate but we, I think that my sense is that we can do a better job. There are, for example, and you are probably going to ask me about the registration program and I will be glad to wait until then, but I think that we do need to review the data bases that EPA has and see if we could make better use of those. In the reorganization we created an Office of Federal, State and Private Sector Initiatives and the whole idea behind that office is better coordination. People in that office are going to be responsible for coordination with other federal agencies, federal/state coordination and federal/private sector coordination.

So, we need to do a better job on that.

Mr. LEHMAN. I just wanted to ask you kind of a point blank question in regard to this. Just for the record, will this lack of consistency that the Task Force claims and the lack of communication, duplication of effort, the failure to use the resources of EPA when you can call on this kind of a resource, will this situation be eliminated?

Ms. DOUGLASS. Yes. I think that we will do a much better job. I do not know that it will be completely eliminated but I think that we will be able to do a much better job of keeping up on these things.

Mr. LEHMAN. Did you see "60 Minutes" last Sunday about the W.R. Grace toxic waste program——

Ms. DOUGLASS. I did not see it.

Mr. LEHMAN [continuing]. And the incidence of childhood leukemia?

Ms. DOUGLASS. No, I did not see it.

Mr. LEHMAN. I think that you should get a copy of the transcript as it would be very helpful, I think. It does not deal specifically with your particular agency but it is an indictment of bureaucratic failures and the private industry indifference to what is an amazing relationship between what W.R. Grace is leaking into the water supply around their plant and the numbers and incidences of childhood leukemia that are around the area.

You ought to have that for your files.

Ms. DOUGLASS. I will get a copy of it.

SAFETY TASK FORCE RECOMMENDATIONS

Mr. LEHMAN. Please provide for the record a detailed response to each of the recommendations listed on pages 14 and 15 of the Task Force report.

[The information follows:]

No response is submitted at this time as we have not sent our response to the Secretary yet. Once the responses are submitted to the Secretary we will forward copies of them to you.

ENFORCEMENT PROGRAM

Mr. LEHMAN. The Task Force also found problems in the hazardous materials enforcement area. They said that the seven "intermodal" inspectors are currently responsible for "as many as 30,000 shippers of hazardous materials at 100,000 locations, as well as 7,000 container and cylinder manufacturers, retesters, reconditioners and rebuilders."

Thus, in the ten years since passage of the Hazardous Materials Transportation Act, the enforcers are still working on the first "sweep" of the regulated population.

Are your enforcers simply overwhelmed in this area?

And, if so, what difference is an additional four inspectors as called for by the Task Force and contained in your budget request going to have on the general compliance level of these industries?

Ms. DOUGLASS. Okay, well, first of all, our effort in that regard, is several fold. One is to increase our capabilities by working with the states and increasing their capabilities through training and through these federal/state meetings and continue those relationships that began under the SHMED program of several years ago.

However, I do believe that every little bit helps and we do have right now, seven inspectors and we are adding another one very shortly and we will be adding the three more.

I have down here, we will be adding essentially three inspectors in the import and export area and one inspector to work on gas cylinders and a lawyer to help us move forward in these Haz-Mat enforcement cases. And we will be adding, to the federal/state area in order to expand our capabilities, and to help expand the state

capabilities so that will get us—I do not want to say, "a bigger bang for the buck" but sort of.

Mr. LEHMAN. Will these additional people more or less be conducting random type of checking or spot checking, or will they have an authoritative type of control or type of enforcement?

You have 30,000 shippers at 100,000 locations and if you have three or four people, then the best you can do apparently, from the way I view it, is sort of a random check and hope that the private sector will be somewhat of a self-policing organization.

Ms. DOUGLASS. Well, one thing I do think that we will need to do is to have a management plan based on a variety of things so that we can focus our inspections, you know, to make the biggest impact.

However, right now, we do have a variety of things that we use in order to determine who we are going to go out and inspect. I will be glad to submit that for the record if you want it.

INSPECTION CRITERIA

Mr. LEHMAN. I would appreciate that.

[The information follows:]

There are several criteria which are considered in planning hazardous materials inspections. Primary among these is RSPA's principal inspection and enforcement jurisdiction: packaging manufacturers (other than bulk) and shippers of hazardous materials. Information has been developed to identify these entities and it is continually updated. The Hazardous Materials Incident Reporting System provides information for planning inspections of shippers in particular.

Another source of information for planning inspections is a register of complaints that is maintained by the Enforcement Division. These complaints are generated by other elements within RSPA by competitors and by current and former employees of companies engaged in some activity falling within RSPA's purview.

In addition, management provides input for planning. This is either on a long-term basis, by designating "emphasis areas" to be examined over a period of time, or in the short-term, by directing an inspection or investigation of some unique or non-recurring situation or problem.

Finally, we do follow-up inspections of companies which have been cited for prior violations and by leads developed during the course of ongoing inspection operations.

SAFETY TASK FORCE RECOMMENDATIONS

Mr. LEHMAN. The Task Force report also says that DOT, state and federal enforcement policies and procedures lack consistency and uniformity. For instance, each DOT agency is said to have different methods of conducting inspections, training inspectors, and pursuing enforcement actions.

RSPA has the responsibility for coordinating DOT enforcement efforts. Why hasn't your agency done a better job in this area?

Ms. DOUGLASS. Well, within the Department, we are doing a number of things to improve that uniformity and consistency. I think one of the most significant things is the reorganization of the agency. That has helped and we now have regularly scheduled meetings, every month, among the modal administrations to coordinate our efforts. In addition to that there are regularly scheduled meetings of enforcement personnel and enforcement attorneys.

We have established and are getting ready to implement uniform procedures for the issuance of interpretations of the hazardous materials regulations. So I think very shortly you will see a big im-

provement in this area and a solution to the problem, in the next six months.

Mr. LEHMAN. Has your agency ever been involved in litigation in regards to people who have been damaged by, or have claimed to have been damaged by lack of enforcement?

Have you any court cases against you?

Ms. DOUGLASS. No.

Mr. LEHMAN. Okay, I just wondered.

Please provide for the record a detailed response to each of the recommendations found on pages 21 and 22 of the Task Force report.

[The information follows:]

No response is submitted at this time as we have not sent our response to the Secretary yet. Once the responses are submitted to the Secretary we will forward copies of them to you.

PIPELINE QUALITY ASSURANCE PROGRAM

Mr. LEHMAN. I believe you have similar workload problems in enforcing your pipeline regulations. In July of 1984 the GAO issued a report which said that RSPA might be able to increase its inspection coverage of interstate pipeline operators by relying more on the pipeline industry to ensure the safety of their systems and by maintaining a federal quality assurance program to check the industry's self-policing activities.

Do you intend to move in this direction? How much would it cost?

Ms. DOUGLASS. Well, RSPA's pipeline office did an analysis of that for GAO and concluded that a federally mandated quality assurance program for interstate pipelines would not result in benefits that would outweigh the costs and thus the DOT safety standards were not amended to require such a program. The rationale behind that is that right now, all interstate operators do have some type of quality assurance program already in existence. Our inspectors know that and work with these people. Regardless of the quality assurance program, our experience has shown that even where there are quality assurance programs in effect with different pipeline companies, there are violations of the federal pipeline safety standards and so, despite the existence of even a mandatory quality assurance program, a federally mandated program, we would have to continue to do the same review that we do right this minute. We would still have to go out and inspect those pipelines. Nothing is going to get around going out and actually seeing if they are doing what they say they are going to do.

Mr. LEHMAN. Please provide for the record a copy of your September 1985 report evaluating a mandatory pipeline safety quality assurance program.

[The information follows:]

A copy of the report titled "An Evaluation of a Mandatory Pipeline Safety Quality Assurance Program" is attached for the record.

AN EVALUATION OF A MANDATORY PIPELINE SAFETY QUALITY ASSURANCE PROGRAM

by

U.S. Department of Transportation
Research and Special Programs Administration
400 Seventh Street, S.W.
Washington, D.C. 20590

September 1985

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Section I: INTRODUCTION

This report was prepared in response to a July 10, 1984. U.S. GAO report which recommended that the Department of Transportation (DOT) evaluate the cost/benefits of establishing a mandatory quality assurance (QA) program for interstate pipeline operators. The GAO report entitled "Need to Assess Federal Role in Regulating and Enforcing Pipeline Safety" was issued in response to a request by the Honorable Philip R. Sharp, Chairman, Subcommittee on Fossil and Synthetic Fuels, Committee on Energy and Commerce. House of Representatives, who requested that the U.S. GAO review the Federal gas and hazardous liquids pipeline safety programs of DOT. In the report, GAO assessed the inspection coverage of pipeline operators under Federal jurisdiction, and determined that DOT might be able to increase the inspection coverage of interstate pipeline operators if the Research and Special Programs Administration (RSPA) could rely more on interstate operators to ensure the safety of their pipeline systems:

> "The amount of time required to perform inspections of interstate gas and hazardous liquid pipeline operators could be reduced if these operators maintained quality assurance programs. The operators' quality assurance staff would check for compliance with the federal safety standards and maintain records on the results of their checks. The [Office of Operations and Enforcement] OOE inspectors could then limit their review of the operators' programs and spot check the operators' efforts to oversee their own pipelines. In addition, quality assurance programs could help the operators identify potential safety risks on their own. Such identification could reduce pipeline failures."

"If interstate operators maintained quality assurance programs that addressed the federal standards, [Federal] inspections could be performed in less time and possibly less frequently than [RSPA's goal] 1/ calls for and still provide an adequate degree of assurance that the operators are complying with the federal safety standards. . . . The [RSPA] regions could then concentrate on those operators under their jurisdiction without effective programs, or devote more time to other priority tasks, such as monitoring State agencies and educating small operators." (pp. 23-24)

In suggesting the use of QA programs, GAO noted that current programs would be of limited value in reducing the Federal resources needed to inspect operators, because the programs were not developed for that purpose. However, GAO implied that this would not be the case if the programs were revised to "include the types of data needed to assure the interstate operator's compliance with the federal safety standards."

To meet this objective, GAO listed three steps that RSPA would have to take:

(1) Amend the regulations to require all interstate operators to have QA programs;

1/ As a part of a management effort to systematize the allocation of inspection staff, several options were considered. By the end of 1985, RSPA will set pragmatic inspection goals in terms of inspection units, desired time intervals, and type of inspection.

(2) Develop instructions on what the operators' programs should consist of and how the programs would operate; and

(3) Review and approve each operator's program.

GAO concluded by recommending that the Secretary of Transportation direct the RSPA Administrator to —

"evaluate and, if the benefits of establishing a quality assurance program outweigh the cost, establish and implement a mandatory quality assurance program for interstate pipeline operators."

The purpose of this report is to evaluate the establishment of a mandatory QA program for interstate operators to relieve the overall Federal inspection workload. Information and advice about the use of industry QA programs obtained from trade associations and DOT advisory committees is set forth. The existing RSPA inspection program is reviewed in terms of the effort expended and the results obtained.

Section II: BACKGROUND

The DOT pipeline safety program is carried out by RSPA under the authority of the Natural Gas Pipeline Safety Act of 1968 (NGPSA) and the Hazardous Liquid Pipeline Safety Act of 1979 (HLPSA). Under those Acts, RSPA has both a regulatory and enforcement responsibility for interstate pipeline safety. With respect to enforcement, RSPA's Office of Pipeline Safety, as part of its enforcement and State agency oversight responsibilities under the NGPSA and the HLPSA, has 16 inspection personnel divided among five regional offices. The inspection workload includes 133 interstate hazardous liquid operators, 122 interstate gas operators, 288 intrastate gas operators not subject to State jurisdiction, and 16 LNG plants. (The approximately 27,000 master meter gas operators and numerous LP-Gas operators that are not under State jurisdiction and, therefore, under the enforcement responsibility of RSPA are not subjected to routine Federal inspections.) This workload will increase October 21, 1985, when operators of intrastate hazardous liquid pipelines become subject to the Federal safety standards (49 CFR Part 195), although the impact will be lessened as State agencies assume jurisdiction over these operators.

To help determine the costs and potential benefits of mandatory QA programs for interstate operators, RSPA obtained information about the nature of existing QA programs from selected interstate operators and trade associations,

based on a common understanding of QA. The RSPA advisory committees for gas and hazardous liquid pipelines also were queried about the benefits of using industry QA programs.

The DOT data bank of pipeline incidents does not indicate whether operators use QA. Therefore, a comparison of safety records of operators "with" and "without" QA programs directed toward compliance with the Federal standards was not done.

Quality Assurance:

The term "quality assurance" was not defined in the GAO report. For this reason, and to provide a frame of reference for industry practices, RSPA defined the term as follows:

> Quality Assurance is a supervisory program to establish and conduct evaluations of quality control operations to determine their effectiveness and uniformity.

Because the term "quality control" (QC) is used in the above definition and may have an unclear meaning, it is defined as:

> Quality Control is a first line program to establish, conduct, and modify as necessary procedures to assure a desired level of quality and reliability of a product or service being produced.

These definitions are similar to the definitions for QA and QC of manufacturing processes as found in the American Society for Metals, Metals Handbook, Volume 11, Eighth edition. "Nondestructive Inspection and Quality Control," pages 407 and 409.

The term "Quality Assurance" was first used by the U.S. armed services to describe the program for evaluating the effectiveness of the inspection systems used by suppliers of materials during World War II. The program was an audit by separate personnel of the paperwork generated by field inspectors of testing done by these inspectors to control manufacturing and construction work. The field inspection and testing was called QC.

Industry Contact:

As a first step in obtaining industry data and input into the question of the efficacy of QA programs as proposed by GAO, RSPA staff contacted five members of the ASME B31.8 Code Committee who represented five major interstate gas transmission operators. Contact subsequently was made with a representative of another gas transmission company recommended by one of the five members. This small sampling indicated that all had some form of audit program to determine compliance with company standards and O&M plans, although they were not necessarily conducted by a separate group or called a QA program. Only two of the six operators reported that their audits were related directly to compliance with DOT regulations. However, the other four noted that their audits were made to determine compliance with company standards and manuals and that, if followed, this practice would indirectly assure compliance with DOT regulations.

Knowledge of pipeline industry QA practices was also obtained from contacts with the American Petroleum Institute (API) (Appendix A) and the Interstate Natural Gas Association of America (INGAA) (Appendix B). These organizations surveyed their members and supplied consensus responses to a short list of questions. The responses are summarized as follows:

1. All INGAA and API members responding indicated that they provide supervisory audits of the tests, inspections, surveys, and other monitoring actions required by 49 CFR Part 192 or Part 195.

2. Many operator's auditing procedures are not written and only a few have developed QA checklists.

3. Most operators refer to their operating procedures in their audit reports. The operating procedures are based upon the DOT regulations but do not always reference them.

4. Where appropriate, other industry standards may be referenced (in addition to DOT and company requirements).

5. The documentation related to the audits has limitations which include a lack of uniformity in checklists, audit procedures and schedules, recording and reporting requirements, and disposition of the documentation, i.e., reports may not be filed in one central location.

Costs:

API and INGAA were also asked whether their member operators would incur increased costs were RSPA to rely more on QA programs. The information provided was only in general terms, but indicated that industry costs would be significant if mandatory uniform QA criteria were utilized instead of existing QA programs.

Consultation with DOT Advisory Committees:

At a joint public meeting of the Technical Pipeline Safety Standards Committee (TPSSC) and the Technical Hazardous Liquid Pipeline Safety Standards Committee (THLPSSC) held on February 28, 1985, RSPA asked the joint committee to comment on the following:

> "The GAO emphasizes the efficacy of Quality Assurance Programs. If you can, comment on whether or not the Q/A concept could enhance public safety for the same cost or for less cost than is currently being expended. Please explain your position."

The following comments are some of the significant points made by Committee members in the response to this question:

1. Company QA programs should remain voluntary.

2. To improve the efficiency of pipeline safety inspections, performance oriented inspection intervals should be used.

3. An operator's self-policing system (inspectors relying totally on operator QA records) could have the same drawback as "the fox watching the chickens."

4. Inspector review of internal audit inspection, QA records, should not be used as a basis for citations for violations, unless these violations are of a serious nature and have not been corrected within a reasonable length of time.

The final report of the joint committee adopted on February 28, 1985, contains the following remarks regarding use of industry QA programs:

"Company quality assurance programs should remain voluntary. The Department should recognize effective quality assurance programs as it allocates its inspection resources. Performance oriented inspection intervals should be instituted."

Section III: EVALUATING INSPECTION ACTIVITY

GAO determined that the inspection coverage of pipelines under direct Federal jurisdiction could be improved if inspectors were to redirect their efforts away from interstate operators (relying on QA programs and spot monitoring to assure safety) and concentrate more on other inspection priorities, such as monitoring State agencies and small operators. To assess the potential benefits of such action, it is important to understand RSPA's current inspection effort.

The 16 regional inspection personnel inspect interstate and intrastate operators' systems that comprise the workload described in Section I. The strategy for allocating the limited inspection time available (these same personnel are also engaged in State oversight, enforcement, and accident investigation activities) is to rank systems based on their potential risk, incident record, compliance experience, and time between inspections. This ordering of inspection visits resulted during the 5-year period of GAO investigation (1978-1982) in some operators being inspected only once and others not at all.

According to the "Annual Report on Pipeline Safety," in 1984 RSPA expended 659 person-days inspecting the facilities of 98 out of 133 interstate hazardous liquid operators, 72 out of 122 interstate gas systems, 9 out of 16 LNG plants, and 181 out of 288 intrastate gas systems. An average of 1.8 person-days was spent for each system inspected.

A comprehensive inspection includes a thorough monitoring of the operator's actual compliance with the safety standards, records that document required inspections, operation and maintenance activities, and the operator's emergency procedures. Part of this inspection effort is devoted to the results of an operator's own QA program that may be in effect, thus resulting in some savings in time that would have to otherwise be spent to complete an inspection. Additional time saving presumably might be achieved if operators' QA programs were properly developed to assure compliance with the Federal standards.

If all interstate operators had a properly developed QA program and RSPA did not inspect these systems, the maximum potential time savings in inspection activity would be (assuming 1984 a typical year) 1.8 person-days/operator x 170 operators, or 306 person-days. The value of this potential savings could not be fully achieved, however, because as GAO indicated. RSPA would have to spot check operators' QA programs (as RSPA currently does) and also spend time reviewing and approving each operator's QA program. Other offsetting factors would be the cost of developing instructions on what properly developed QA programs should be and amending the Federal standards to require such programs for interstate operators.

It can be assumed that operators' QA programs would have to be reviewed and approved on a regular basis, to account for program and system changes, and that to save time spot checks of results would be made by inspection personnel in conjunction with the reviews. The amount of time that would have to be devoted to such work is diffieult to determine, but based on RSPA's experience with existing QA programs, which entail extensive record validation, it is estimated to

take at least 3 days every 3 years for each interstate operator, or 1 person-day a year per operator. Thus, the spot checking, review, and approval time would amount to 255 person-days annually, reducing the maximum potential time savings to 51 person-days, not counting time needed to administer the hypothetical QA regulations. In conducting interstate transmission pipeline inspections during 1984, the average daily cost for the regional inspection staff was:

Travel and per diem expenses per day	$120.00
Salary and benefits per day	$235.00
Total direct costs per day	$355.00

Thus, the maximum potential savings would be equal to 51 person days x $355 per person day, or $18,105.

By comparison, the cost to industry to implement a properly developed QA program directed toward compliance with DOT regulations is unknown, but any reasonable guess would certainly place the cost at far more than $71 per operator ($18,105/255 operators). Thus, the potential benefits in terms of savings in inspection time would not outweigh the industry's cost of compliance with a mandatory QA program.

Other potential benefits that must be considered are (1) potentially greater system safety for interstate operators attributable to implementation of properly developed QA programs and (2) greater system safety for intrastate operators due to the added RSPA inspection time that could be shifted from interstate systems. As to the first of these, RSPA's experience shows that QA programs do not necessarily increase system safety. For example, when the Trans-Alaska Pipeline

System (TAPS) was constructed, the Department of the Interior, as a part of the grant of rights-of-way crossing Federal lands, required TAPS to establish and use a comprehensive QA program for the construction of the pipeline. The program is the most comprehensive that RSPA has ever seen. Despite this QA program, TAPS had extensive construction problems, particularly with falsification of radiographic inspection records during construction. TAPS continues to need close monitoring of its pipeline stability and structural support elements, as well as its corrosion control practices. Also, safety problems occurred with construction of the Northern Border pipeline, even though an extensive, well documented QA program was in effect. Moreover, RSPA's standard inspection techniques often uncover situations of noncompliance by interstate operators even when well structured QA-type records and procedures indicate that safety performance objectives have been achieved. RSPA believes this nonconformity occurs because the majority of the safety rules are performance oriented (i.e., describe the required end result but not the means to achieve the result) and it is difficult to produce and effectively carry out a QA program for performance oriented standards. Thus, little, if any, benefit in terms of increased system safety for interstate operators would be expected if a mandatory QA program were established.

Whether intrastate system safety would increase any measureable degree by reallocating 51 person-days of inspection time to monitoring State activities or small operators is purely speculative. Although the relationship between inspection and safety performance is positive, a precise correlation has never been established. Thus, it is not possible to determine the value of increased benefits that might occur in intrastate systems due to added inspection time. Whatever the value, RSPA does not believe it would be enough for total benefits to outweigh compliance costs, however.

Section IV: CONCLUSION AND RECOMMENDATION

Conclusion:

RSPA concludes that a federally mandated QA program for interstate pipelines would not result in benefits that outweigh the costs and the DOT safety standards should not be amended to require such a program. Factors contributing to this conclusion are:

1. All interstate pipeline operators have some type of audit program for monitoring their various operations to assure that company standards and O&M plans (and indirectly the DOT standards) are being followed.

2. Inspection time for interstate operators is already minimized by allocating inspections on the basis of operator performance.

3. In conducting inspections of interstate systems, RSPA inspection personnel use operators' audit records. However, the personnel must still validate the records for accuracy, timeliness, and completeness. Therefore, given a mandatory QA program, RSPA would not only need to conduct essentially the same monitoring it currently does, but also review and approve QA programs. Thus, there would be no significant reduction of staff time per inspection or reduction in the number of staff required to conduct a given number of inspections. There might even be an increase in staff time or number of staff required due to the need to administer the mandatory QA program.

4. The RSPA experience in inspecting pipeline operators has shown that many violations of the Federal pipeline safety standards have been discovered by Federal and State inspectors despite the existence of QA or QA-like programs. Thus, the potential benefits of improved system safety are uncertain even with fully developed QA programs.

5. Although the cost of compliance with a mandatory QA program is unknown, the potential benefits in terms of inspection time savings and improved system safety are not enough to outweigh any reasonable estimate of added cost to the interstate pipeline industry.

Recommendation:

Operator QA programs should remain voluntary and the RSPA regional staff should continue to use operator compliance checklists and records in performing inspections of interstate gas and liquid pipeline operators.

Appendix A

American Petroleum Institute
1220 L Street, Northwest
Washington, D.C. 20005
202-682-8185

V. Kenneth Leonard
Transportation Director

March 26, 1985

Mr. Paul Cory
Materials Transportation Bureau
U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Mr. Cory:

In response to your request that we obtain information about the use of "quality assurance problems" by the interstate liquid pipeline operators, we polled a number of companies using the questions forwarded to us by Dick Beam on February 15. What follows is information from the eight companies from which we have responses.

1. **Does your company have a program providing supervisory audits of the tests, inspections, surveys and other safety monitoring actions required by 49 CFR Part 195?**

   Seven companies responded "Yes." The one other company responded that it audited approximately 60% of the monitoring actions required by 49 CFR 195.

2. **Is this program documented?**

   Six companies responded "Yes;" two companies responded "No."

3. **Does this documentation refer to the appropriate sections of DOT regulations or the requirements of the company procedures? Which is referenced?**

   For the two companies which responded "No" to the question #2 above, this question was not applicable. Of the remaining six companies four indicated they used both DOT regulations and company procedures for documentation; the other two companies use company procedures.

4. **If neither DOT nor company requirements are referenced, what is used as performance standards? Specifications? Indicate which.**

   This question did not apply to any of the eight respondents.

An equal opportunity employer

5a. Could this documentation be used effectively by a Federal inspector to conduct periodic audit/monitoring of the pipeline operator's compliance with 49 CFR Part 195?

Two companies replied "No," six "Yes."

b. In your opinion would it reduce the inspector's work time?

Seven companies replied "Yes;" one gave no response.

c. What would be the added time/cost impact to you?

One company gave no opinion. Three replied "Small;" two replied "None," one replied "Much," and one replied "Don't Know."

Paul, I hope this information is of some use to you. Obviously, in light of the small sample it would be impossible to draw any industry-wide implications for the questions you have asked. Should you wish any additional data on this subject, please advise.

Very truly yours,

Jerry Hurley

G. C. Hurley

cc: Richard L. Beam

Appendix B

INGAA

March 14, 1985

Mr. Richard Beam
Associate Director of the Office
of Pipeline Safety Regulation
Materials Transportation Bureau
Department of Transportation
Washington, D.C. 20590

Re: DOT Quality Assurance Questionnaire

Dear Mr. Beam:

In accordance with your request for information concerning the interstate natural gas transmission industry's company quality assurance programs, we surveyed our members using the five questions provided.

We received responses from the majority (eighteen) of our members, and from all of the larger companies. A summary of those responses is attached to this letter. However, a few general comments concerning the pipeline industry's quality assurance, or supervisory inspection and audit program must be made.

Our industry's philosophy on regulation compliance is that we meet all the requirements of the applicable laws and regulations. The method used to achieve compliance with these requirements is through company procedures, standards, procurement and construction specifications, and other directives. Company operating supervisors and management are expected to comply with these requirements as a part of their normal job related responsibilities. While most of our members do not have a "formal quality assurance program" per se, company procedures provide for auditing or inspection activities to provide assurance to the top company management that operations are being conducted in conformance with existing laws and regulations, and that persons implementing the requirements understand them and implement them as intended. In most companies, the auditing program is viewed as a positive management tool to assist lower level operating people to do their jobs in the proper manner.

Our members believe Federal/State inspectors could use some of the company auditing programs to assist them with their inspection, and some inspectors have apparently been doing so for several years. However, we firmly believe the use of company audit or inspection programs is no substitute for a formal Federal/State

INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA
1660 L STREET, NORTHWEST, WASHINGTON, D.C. 20036 (911). TELEPHONE 202 [illegible]

inspection program. It should be merely an adjunct to assist the inspector and reduce the amount of time required for the inspection. INGAA would vigorously oppose any effort by MTB to establish a uniform structured auditing program which would place the burden on pipeline operators to effectively inspect themselves for MTB.

It is our belief that Federal/State inspections should serve a much broader purpose than do company internal supervisory auditing programs. The Federal/State inspection should serve as an overview to ensure that company operating procedures address all DOT requirements completely, that facilities are being accounted for and operated in conformance with those requirements, and that proper records are being mantained by the company. In addition, the inspection serves as an opportunity for the operator and the inspector to discuss ideas and regulatory interpretations, review regulatory areas of special emphasis, and as a check for the operator to ensure that his company operating procedures are correct.

I hope this information will be useful to you. Please call me if you have any questions concerning our response.

Sincerely,

Lawrence J. Ogden
Vice President
Construction & Operations

TLK/jda

Enclosure

INGAA SUMMARY OF MEMBER RESPONSES TO THE DOT QUALITY ASSURANCE QUESTIONNAIRE

QUESTION 1

Does your company have a program providing supervisory audits of the tests, inspections, surveys and other safety monitoring actions required by 49 CFR Part 192?

ANSWER

Our members indicate most of them do not have a specific organizational unit established within the company with a quality assurance or auditing mission. However, some of the larger companies do have an internal audit section which continuously inspects and audits all operating and financial functions of the various parts of the company. All of the companies that responded to this survey indicated they have a supervisory auditing program established which places the responsibility for compliance with all portions of 49 CFR Part 192 on field supervisors and department heads. Most members indicated they use a dual level of supervisory auditing. The on-site field supervisors are responsible for day-to-day operational compliance with company procedures which are based upon Part 192 and they in turn, are audited periodically by a team of specialists from the headquarters elements of the company. Most indicated they attempt to completely audit all parts of their company annually. In addition to inspecting for operating compliance with Part 192, our members are also engaged in inspection activities related to the installation of new facilities such as:

a. Third party and company on-site inspection of pipe and vessel manufacturing processes;

b. Third party and company testing of welds during construction; and

c. Inspection of contractor work during the construction of pipeline facilities for compliance with company specifications and Part 192.

QUESTION 2

Is this program documented?

ANSWER

Most members indicate they do not have a formalized quality assurance or auditing program. The elements of their supervisory auditing program are contained in the various company operating procedures manuals and memorandums to the extent necessary for adequate management control. While many of the companies use checklists, the procedures for auditing are not formalized in writing. The results of inspection or audit team visits are documented and are reviewed by the appropriate operating supervisors for corrective actions and followup, if necessary.

QUESTION 3

Does this documentation refer to the appropriate sections of DOT regulations or the requirements of Company procedures? Which is referenced?

ANSWER

For the most part, company operating procedures are referenced in the inspection and audit reports. While the company procedures are based on Part 192, they may, in some instances, exceed Part 192 requirements or expand upon those requirements to facilitate consistency or simplification for the operating personnel. In some instances the performance language of Part 192 must be supplemented with specific company requirements to fully comply with the requirements of Part 192.

QUESTION 4

If neither DOT nor company requirements are referenced, what is used as performance standards? Specifications? Indicate which.

ANSWER

As indicated in Question 3, company operating procedures are normally referenced. However, there are instances where Part 192, appropriate specifications, API Recommended Practices, and similar guides are also referenced. For construction activities, specific provisions of the construction contract are referenced even through these may be based on the requirements of Part 192 or company procedures.

QUESTION 5

Could this documentation be used effectively by a Federal/State inspector to conduct periodic audit/monitoring of the pipeline operator's compliance with 49 CFR Part 192? In your opinion would it reduce the inspector's work time? What would be the added time/cost impact to you?

ANSWER

Our members indicate this documentation may be of some limited value to Federal/State inspectors. Several members indicated that some inspectors have been using this documentation for several years as an aid in evaluating compliance with Part 192. Basic limitations include a lack of uniformity in checklists, audit procedures and schedules, recording and reporting requirements and disposition of the documentation, i.e. reports may not be filed in one central location. Variations in company policies and procedures, as well as the scope of the company audit, would also hinder usefulness to the inspector. Our basic philosophy is that a company quality assurance program would not be an adequate substitute for a Federal/State inspection program. However, it may be a beneficial adjunct to an Federal/State inspection program and, if used properly, could reduce the time required for an inspection. As long as the inspectors use the company documentation as is and not require uniformity there should be little or no increase in company time or costs. We believe some safeguards would need to be initiated to prevent a citation being issued based on a company's own internal auditing program, unless the records indicated the violation was not satisfactorily corrected by the company.

EMERGENCY RESPONSE

Mr. LEHMAN. In the area of emergency response training and assistance, the Task Force report paints a murky picture in delineating the roles of RSPA and FEMA in this area.

Would you briefly discuss the emergency response roles of these two agencies? And also highlight the biggest deficiencies in the emergency response area as you see it.

Ms. DOUGLASS. Well, generally, in the past, we have viewed our primary role as accident prevention and mitigation by the promulgation of standards of design, construction, maintenance, and the communication of the hazardous materials in transportation.

Now, FEMA we have generally regarded as being the lead agency for emergency preparedness and frankly a lot of people were not happy with the role that FEMA had played and were looking to the Department of Transportation to increase our role.

So, we have spent the last year doing a number of significant things. We have increased significantly our communication and work with FEMA. We have worked with EPA and FEMA on workshops on emergency transportation which are already underway and we are participating with FEMA in a joint study on emergency preparedness—what is the state of preparedness in this country? What training do we need? What planning do we need? What recommendations do we have for Congress in this regard and who should be responsible for what?

We are right in the middle of that and that study should be done within, I would say, about a month. I would hope. That would be up to you all.

Mr. LEHMAN. I understand the need for FEMA to work with you because, as you say, your role is prevention, but once the emergency is there, then FEMA is responsible for dealing with it. Unless FEMA knows what caused the emergency, or has the hazard technologies to deal with this type of problem, they are not going to be able to handle it adequately.

What concerns me is that you are spreading out your limited resources by doing things that FEMA should be doing on their own. And I think that you are going to have to——

Ms. DOUGLASS. That is a problem.

Mr. LEHMAN [continuing]. I would hope that you would have to align yourself with FEMA to where they would be mainly responsible for knowing what to do in case something did happen and they would use their resources to find out.

Ms. DOUGLASS. Well, I do want to comment on that. I agree with what you have said and that is a concern that I share, you know, diluting our resources and everything.

But I will tell you, my perception has been, when I came to RSPA, I thought there was a problem there. There was a problem. And so I felt that it was worth spending time and some effort to work with FEMA to try to get this thing moving in the right direction.

I feel like that is worthwhile, but I agree with you that we have to be careful not to dilute our resources on this.

EMERGENCY RESPONSE HANDBOOKS

Mr. LEHMAN. Please explain for the record the extent of the problem that may exist in having a variety of different emergency response handbooks prepared by different groups, and also explain your actions to address any such problems.

[The information follows:]

The existence of a variety of different emergency response handbooks does not necessarily present a problem. The diversity of information contained in these documents reflects the diversity of the response to incidents that could be encountered and the differing perspectives and responsibilities of issuing entities. While the organization, perspective and complexity of the information contained may vary, they are generally both compatible and complementary. Consolidation of federal emergency response guidance, however, could lessen the possibility of duplicative and contradictory, guidance being offered, and RSPA is exploring ways for better coordination of its emergency response guidance initiatives with other federal agencies having similar responsibilities.

SAFETY TASK FORCE RECOMMENDATIONS

Mr. LEHMAN. Please also provide for the record a detailed response to each of the recommendations found on page 29 of the Task Force report.

[The information follows:]

No response is submitted at this time as we have not sent our response to the Secretary yet. Once the responses are submitted to the Secretary we will forward copies of them to you.

HAZARDOUS MATERIALS REGISTRATION

Mr. LEHMAN. Although RSPA is said to have sufficient authority to register hazardous materials manufacturers, shippers, and carriers, you do so to only a limited degree.

The Task Force says that, because of the lack of registration, RSPA does not know precisely who is shipping and manufacturing hazardous materials, or what and where hazardous materials are being shipped. How does this lack of information affect your regulatory and enforcement programs, and why don't you institute a registration program to address these problems?

Ms. DOUGLASS. Well, we have felt that through the rulemaking process we do get adequate information to conduct our rulemaking activities, including exemptions and we also have our hazardous materials information system by which we collect data and use that information to provide us with information to meet most of our regulatory and enforcement needs.

Now, on the other hand, I think that we could be helped by a limited registration program. It is a balance here, because if we were to go out and collect a mass of information from every single person carrying hazardous materials, ranging from methyl isocyanate down to aerosol cans for shaving cream, that could cost us a fortune and it would require a lot of staff, to be able to get the information and to put it in to the computer and to assimilate it.

I do not think that that is really necessary. I think that what we need to do right this minute and in the next year, is to look very carefully at the idea of a limited registration program, and see what information the Federal Government already collects, what EPA collects, what FEMA collects, what BMCS or ICC collects,

what information the Census Bureau gives us and then see if we can coordinate with those agencies and see if perhaps a very limited registration program is needed.

That could be helpful to us. Yes, I think it could be, but I want to look at it.

Mr. LEHMAN. This is something that should have been done in the past.

Ms. DOUGLASS. I think so.

Mr. LEHMAN. Just suppose that I wanted to go into manufacturing batteries or rebuilding automobile batteries, and I go ahead and start a little battery manufacturing company in northern Virginia, and then I start shipping batteries or the waste material from the manufacture of batteries, which is a hazardous material. How would you know that I was in business and where I was shipping it?

Would there be any way that you could find out that the Lehman Battery Manufacturing Company was shipping hazardous materials or hazardous waste some place?

Mr. ROBERTS. Mr. Chairman, section 3010 of the Resource Recovery Conservation Act, requires generators and transporters to identify themselves to the Administrator. In doing that, an identification number is given to the generator of that waste and that requirement is referenced in our regulations.

Through that process, if they comply with RCRA, they would also be in compliance with DOT and there would be a record of who that transporter is.

Mr. LEHMAN. I would be registered some place?

Mr. ROBERTS. Yes, sir.

REGISTRATION PROGRAM STUDY

Mr. LEHMAN. Please expand on your answer for the record, and include a description of the authority you presently have to institute such a registration program.

[The information follows:]

In 1986, we plan to initiate a study of the feasibility of a registration program broader than that we currently administer. This effort will be the basis for a determination of the most appropriate approach to registration, e.g., whether to register all persons involved in the shipment and transportation of a limited number of materials (those posing the greatest risk), or whether to register only segments of the constituent industries (bulk shippers and transporters, for example). The current authority in section 106 of the Hazardous Materials Transportation Act (49 U.S.C. App. § 105) is adequate to enable RSPA to adopt whatever level of registration is necessary.

Mr. LEHMAN. Does the Administration support legislation to institute a user fee to pay for a registration program, and how much would such a program cost?

Ms. DOUGLASS. Well, a first step is to see what kind of a registration program—we already do register, by the way, about 5,000 people, but the first step is to find out exactly what we do need and what makes sense and then to implement a program if we decide that that is needed.

If we do implement a program, I would expect that we would support using user fees to do it. Yes, I would think that would make sense.

SAFETY TASK FORCE RECOMMENDATIONS

Mr. LEHMAN. Please provide for the record a response to the recommendations found on page 35 of the Task Force report.

[The information follows:]

No response is submitted at this time as we have not sent our response to the Secretary yet. Once the responses are submitted to the Secretary we will forward copies of them to you.

DATA BASE SYSTEM

Mr. LEHMAN. The Task Force also found deficiencies in your hazardous materials data base system—the HMIS. The basic problem seems to be summed up by the computer axiom—"garbage in, garbage out". What are you doing to fix the data collection and input problems identified, and when will this be accomplished?

I guess it would be "hazardous garbage in and hazardous garbage out".

Ms. DOUGLASS. Well, now, I am a little confused, are you asking, do we use the data base that we have right now for management purposes?

Mr LEHMAN. Apparently the Task Force thought that the data that you were using, the input data, was not solid, good data and would not help you resolve the problems that you needed to identify. You may answer what you can now and what you cannot, you may expand on for the record.

Ms. DOUGLASS. All right, I would like to answer that question for the record.

Mr. LEHMAN. All right.

[The information follows:]

There are three factors which affect the accuracy and completeness of the HMIS data bases.

The first factor is the quality of the reported data. Compliance with our reporting requirements, as with other Federal data, such as income taxes, is largely unpoliced. While we believe compliance has been good, only a small proportion of reports can be audited, and we do not believe it would be cost beneficial to increase either the frequency or extent of such audits.

The second factor is the amount of reported data which is computerized. Since all reports are microfilmed and retained permanently, only the most pertinent information is computerized. We estimate additional annual expenses of over $100,000 to enter all reported information. Both the amount of data collected and the amount of the data which is computerized have been the subject of a major RSPA rulemaking project which is nearing completion.

The final factor is the accuracy of the data entry process itself. Telephone followups are made on serious incidents and all entered data are subject to automatic validity checks. Finally, all data entered are independently reviewed against the original report. A recent GAO review of the process, as also used on the pipeline portion of the HMIS, found that data entry errors are well within acceptable standards.

RSPA does not agree that the HMIS can be characterized by the axiom "garbage in, garbage out".

Mr. LEHMAN. The Task Force also said that you do not use your data system for management purposes. For instance, they said and I quote: "When a major incident occurs, RSPA does not search the data base for other [similar] incidents . . . to identify trends or deficiencies in packaging types or exemption experience".

Why aren't your managers using the resources available to them?

Ms. DOUGLASS. Well, on that finding, we agree with the Task Force that we could do more and we need to have a plan on how to make better use of our data. However, we do use it extensively, our people on the enforcement area use it, and our regulators and exemptions people use it. I will submit a list of some examples for you for the record, and would be glad to go through them now but I think that you probably would prefer that.

Mr. LEHMAN. What we hope you can find out is, when these incidents occur, how you can identify the trends of deficiencies from your computer base.

Ms. DOUGLASS. Yes, I know exactly what you are saying.

Mr. LEHMAN. If you will expand on that for the record, please.

[The information follows:]

RSPA agrees with this recommendation but believes that the Task Force report greatly understates the extent of current use.

The Hazardous Materials Enforcement Division uses the HMIS as a basis for planning shipper inspections by identifying shippers of small packages of hazardous materials who have appeared on 10 or more reports in the last five years and targeting those companies for inspections. The Division also may receive inquiries from different sources regarding a particular shipper. The HMI Data Base is queried to produce any records that may appear for that shipper and, if warranted, an inspection is targeted. HMI reports involving death and injury are reviewed by the Director of the Office of Hazardous Materials Transportation, who forwards some of these reports for further investigation. The Division also routinely uses the Exemptions Data System and several bases in the Approvals Data System in planning inspection activity.

The system is also used extensively in support of program planning and rulemaking. Recent analytic studies based in whole or in part on the HMIS include:

An evaluation of the safety performance of rail tank cars.

A Cost-Benefit analysis of Dockets HM-174, HM-175; retrofitting of rail tank cars with head shields, shelf couplers and thermal insulation.

A safety profile of the liquid gas transportation industry.

A Secretarial regulatory review analysis of 49 CFR 171.16: Alternatives to detailed hazardous materials incident reports.

An analysis for Docket HM-36B: Changing current incident reporting criteria and report form.

A Cost-Benefit analysis for Docket HM-145E: Incorporating EPA hazardous substances and associated reportable quantity designations into Hazardous Materials Regulations.

A cost-benefit analysis for Docket HM-181: Performance Standards for small packagings.

The system is also used by other agencies and by the states. Recent EPA studies include:

A comparison of risks from land-based and ocean-based incineration.

A regulatory Impact analysis of reportable quantity adjustments under Sections 102 and 103 of CERCLA.

SAFETY TASK FORCE RECOMMENDATIONS

Mr. LEHMAN. Please provide for the record, a detailed response to each of the recommendations listed on pages 38 and 39 of the Task Force report.

[The information follows:]

No response is submitted at this time as we have not sent our response to the Secretary yet. Once the responses are submitted to the Secretary we will forward copies of them to you.

PIPELINE SAFETY DATA BASE

Mr. LEHMAN. The NTSB claims that you have similar data deficiencies in your pipeline programs. They are particularly con-

cerned that you have no data with which to judge the safety of plastic pipe systems. How good is your pipeline safety data base—is it reliable enough to use for making safety determinations such as analyzing the leak experience of plastic pipes?

Ms. DOUGLASS. In the pipeline area I am a little bit further ahead of the game, because when I first came to RSPA that had been brought up as a problem and I had started looking into that immediately.

And in fact, we are working with Transportation Systems Center and Bob is coming up with a pipeline safety data analysis plan that will help us make better use of our data and also tell us whether we need more data on which to reach our decisions.

And we expect—Bob when is that, when do we expect the plan to be done?

We expect that plan next month, and now, the same thing, I think, needs to be done on hazardous materials transportation and we are working on that, but on the pipeline area, we are a little bit further down the road and I think that plan will be coming forward next month.

It will be ready for the Hill next month?

Mr. PAULLIN. Well, it will be finished next month and then we are coordinating with NTSB on it because we want to be sure that we are doing the right thing.

But we hope to have the plan internally finished next month and we will have to have it approved within the department and then submitted to you.

Mr. LEHMAN. Is there any definitive answer to which is the safer, plastic or metal?

Ms. DOUGLASS. Now on the plastic, is there any definitive answer on that one?

Mr. PAULLIN. We have standards on plastic pipe and we know that some kinds, through experience, have not proved to be very satisfactory. We know, for example that ABS pipe has not been proven to be satisfactory in service.

But other kinds of plastic pipe have proved to be very satisfactory. Whole issue of plastic pipe is a relatively new one and has only been in existence for about 15 years.

Ms. DOUGLASS. Our reporting form on accidents does require information on plastic pipe. It has always required information on plastic pipe and in the last couple of years, however, we redid our form and now we are getting a lot more information on plastic pipe than we used to in the past.

Mr. LEHMAN. In regards to the Phoenix incident, did you really learn some things that you did not already know?

Mr. PAULLIN. Yes. That was a particular pipe that we found out that was not very good and as a result of that, we surveyed the entire nation to see where that particular type of pipe is located and how much of it.

We are happy to find out that it is concentrated in the Arizona area and some in the Texas area and we have notified all operators of that particular kind of pipe, what NTSB and we found out with regard to the negative consequences of using it.

Ms. DOUGLASS. And I recall from our federal/state meetings, that Arizona is obviously very well aware of this and their inspectors

and the people who are the head of their pipeline program have been running some seminars, have they not?

Mr. PAULLIN. Yes.

Ms. DOUGLASS. With people that have this kind of pipe and are interested in it.

NTSB REPORT ON PHOENIX PIPE EXPLOSION

Mr. LEHMAN. Please supply for the record a copy of NTSB's report on the plastic pipe explosion in Phoenix on September 25, 1984, that killed five people and give us a point-by-point response to the Safety Board's recommendations.

[The information follows:]

NATIONAL TRANSPORTATION SAFETY BOARD
WASHINGTON, D.C.

1985 JUL -3 AM 11:21

ISSUED: July 1, 1985

Forwarded to:

Ms. M. Cynthia Douglass
Administrator
Research and Special Programs
Administration
U.S. Department of Transportation
Washington, D.C. 20590

SAFETY RECOMMENDATION(S)

P-85-18 and -19

At 3:30 a.m. on September 25, 1984, an explosion followed by an intense natural gas-fed fire destroyed two apartments at 3022 North 37th Street in Phoenix, Arizona. Of the 12 persons injured in the fire, 5 persons later died. After the fire was extinguished, the 1 1/4-inch-diameter plastic gas main supplying gas to the destroyed apartments was excavated and a 3-inch-long longitudinal split was discovered in the bottom of the pipe 18 feet from the gas meters on the apartment building. Gas at 30 psig had escaped through the longitudinal split, migrated into and under the apartments, ignited, exploded, and burned. 1/

The pipe involved in the accident was designated as type I grade II, new service thermoplastic pipe in the Plastic Pipe Manual for Gas Service published by the American Gas Association (AGA) and was manufactured by Kerona. The pipe was a blend of acrylonitrile, butadiene, and styrene (ABS). ABS pipe is resistant to alcohols, mineral oils, and aliphatic (nonaromatic) hydrocarbons, but can be damaged by contact with acids, aldehydes, ketones, esters, and chlorinated hydrocarbons.

The Arizona Public Service Company (gas company) received all of its natural gas from one gas transmission company, El Paso Natural Gas, at five major town border stations and other smaller receipt points; the gas was neither filtered, scrubbed, nor dehydrated as it entered the gas company's distribution system. The gas company did not "fog" 2/ its system at any location. The gas company routinely drained liquids entrapped in the natural gas entering its distribution system at its city gate stations and other system low points; the presence of such liquids in a natural gas pipeline system is not unusual.

1/ For more detailed information read Pipeline Accident Report--"Arizona Public Service Company Natural Gas Explosion and Fire, Phoenix, Arizona, September 25, 1984" (NTSB/PAR-85/01).

2/ "Fogging" is a process of adding liquid vapor to the natural gas in a distribution system to increase its moisture content to prevent the dehydration of joint packing materials; steam or hot oils are commonly used.

The results of tests made on the pipe fracture found in the ABS plastic pipe at the accident site revealed that the pipe had deteriorated from a chemical reaction between the ABS plastic pipe and a liquid that had settled along the bottom of the pipe. It was not possible to tell how long the pipe had been deteriorating because it was not possible to determine either what the specific liquid was or how long the liquid had lain in the bottom of the pipe. The deteriorated pipe resulting from environmental stress cracking in the bottom of the pipe finally ruptured through the remaining pipe wall allowing natural gas to escape. Therefore, the pipe failure resulted from several conditions: first, a chemical action which deteriorated the pipe and produced internal cracks, and later, the internal cracks propagated through the pipe wall until finally the remaining pipe wall thickness could no longer contain the internal pressure. Without these conditions, the accident would not have occurred at that time.

Since 1970, Federal regulation 49 CFR 191.5 has required operators of natural gas distribution systems of 100,000 meters or more to submit written reports of pipeline accidents that result in ignition, deaths, injuries, or other reportable criteria within 20 days after the detection of the leak. In the more than 14 years that the leak reporting system has been in operation, thousands of leak reports have been received and filed by the Materials Transportation Bureau (MTB) of the Research and Special Programs Administration (RSPA) of the U.S. Department of Transportation (DOT), and the data have been entered on computers. While the leak reports are categorized by the type of pipe involved (steel, cast-iron, plastic, copper, etc.), the category of plastic pipe is not defined further as to the type of plastic pipe (PE 3306, PE 2036, PVC, ABS, CAB, or other). Consequently, in searching the DOT data for plastic pipe failure rates, it is impossible to segregate ABS failures from any other plastic pipe failures unless a gas company voluntarily has listed the type of plastic pipe, which is rarely done.

In a 1980 evaluation of the MTB's pipeline data system, 3/ the Safety Board stated:

> The evaluation found that Materials Transportation Bureau staff resources are limited, and that, consequently, use of the data to direct and focus resources is essential for the effective and efficient administration of the Pipeline Safety Act. The Safety Board concluded, however, that the data currently collected are often inaccurate and are not representative of gas pipeline operators and gas pipeline accidents.
>
> Furthermore, the system is seldom used by MTB offices in carrying out their regulatory and enforcement functions, and there is little coordination regarding the system between the Safety Data Management Branch and the regulation and enforcement offices. The study found that the MTB does not have a pipeline data analysis plan, which the Safety Board believes is necessary to coordinate and direct the MTB offices in the use of the data system as a management tool.

As a result of this evaluation, the Safety Board issued the following Safety Recommendations to the MTB of the RSPA on August 20, 1980:

3/ Special Study--"Safety Effectiveness Evaluation of the Materials Transportation Bureau's Pipeline Data System" (NTSB-SEE-80-4).

P-80-61

Develop and publish for public comment a formal data analysis plan for the pipeline data system.

P-80-63

Postpone promulgation of proposed, revised pipeline data forms until development of a data analysis plan and coordination of the forms with the plan.

P-80-65

Train existing personnel to more effectively validate incoming incident report forms.

The RSPA has not developed and published for public comment a formal data analysis plan. In its final rulemaking promulgating changes to its annual reports and incident reports, published in the Federal Register at 49 FR 18956, the RSPA stated that the new annual reports and accident report forms and procedures for data collection "... will adequately monitor trends and provide indicators of potential problem areas. ..." The RSPA stated further that "... by mid-1985, MTB plans to initiate such a study of pipeline safety reporting requirements and the uses of the data, and will invite specific input from the public and industry, in addition to NTSB."

The Administrator of RSPA now believes that it would no longer be in RSPA's best interest to "develop and publish for public comment a formal data analysis plan for the pipeline data system" as recommended because the RSPA already has issued new incident report forms and annual report forms for gas distribution systems (RSPA F7100.1 (3-84) and RSPA F7100.1-1 (3-84), effective July 1, 1984). The Safety Board had classified Safety Recommendation P-80-61 as "Open--Acceptable Action" based on the RSPA statement that it would publish such a data analysis plan. This recommendation, however, now will be classified as "Closed--Unacceptable Action."

Although the RSPA initially postponed promulgation of proposed, revised pipeline data forms, so that the Safety Board classified Safety Recommendation P-80-63 as "Closed--Acceptable Action," the RSPA issued the new forms effective July 1, 1984, without undertaking the data analysis plan recommended by the Safety Board. Based on the change in position by RSPA on the need for a data analysis plan, this recommendation will now be classified as "Closed--Unacceptable Action."

The RSPA has instituted improved quality control procedures, and the Safety Board has classified Safety Recommendation P-80-65 as "Open--Acceptable Alternate Action" pending the full implementation of statistical sampling.

The MTB has been using the revised accident report forms since July 1, 1984. If the operator accurately fills out the accident report form and if the data contained therein are filed accurately in the MTB data storage bank, the type of plastic pipe involved (ABS, PE, PVC, etc.) and the mode of failure (outside damage, material failure, etc.) now can be identified. However, the accident report form still does not require any reporting of the causes of material failures.

The Safety Board is concerned that the problem with ABS plastic pipe revealed in this accident may exist in many other natural gas distribution systems nationwide. The DOT records of gas company accident report forms, which are compiled to identify industry problems and accident trends, are of no help in determining the extent of the ABS plastic pipe problem because, other than polyethylene plastic pipe, the specific type of plastic pipe involved in a failure usually is not recorded, nor are all material failures required to be reported. Therefore, the DOT is unable to analyze the problem, to establish conditions for the continued use of ABS pipe, or even to warn the gas industry about the problems already encountered. The DOT's new incident report forms, which became effective on July 1, 1984, refer specifically only to polyethylene plastic pipe. Therefore, an operator who experiences an ABS plastic pipe failure must check a box on the form designated as "other" and describe the specific type of plastic pipe elsewhere on the incident report form; this does not encourage reporting and provides an opportunity for errors.

The identification of volatile chlorinated hydrocarbons and other chemicals in liquids collected in the gas distribution system raises the issue of the compatibility of any type of plastic pipe with chemicals that may be introduced into a natural gas pipeline system. The Safety Board is concerned with the possibility that other types of plastic pipe currently in use in gas distribution systems may have incurred material failures similar to the failure in this accident. The Board is aware that there have been material failures in the other types of plastic pipe, but how many, where, and what the causative factors were cannot be determined because the DOT's incident report forms, particularly those in effect prior to July 1, 1984, do not include this information.

The AGA commissioned a special task force in 1982 to review plastic piping performance and to communicate the results of the review to gas companies. The task force developed a questionnaire to collect information from gas distribution companies on plastic piping system performance. Statistical data used with the questionnaire were derived from the 1981 leak history as reported annually by utilities to the DOT. In asking the gas companies to respond, the AGA suggested that the information collected, which was sensitive, be destroyed after the questionnaire was completed. Responses were received from 100 distribution utilities, including the Arizona Public Service Company, which destroyed its information after completing the questionnaire.

The task group report, "Plastic Pipe Performance," was presented at the AGA's 1984 Distribution/Transmission Conference in San Francisco, California. The report concluded:

- No significant problems are indicated with current plastic gas piping materials.
- Plastic piping is shown to have provided excellent service.
- Leaks per mile of main and service for plastic are significantly lower than for other distribution system materials.
- Plastic installation costs are less than half of the installation costs for other materials in 2" and smaller sizes.
- The use of plastic is increasing both in size and quantity.

- o PE 2306 polyethylene was the predominant type of plastic being installed in 1981.
- o Isolated material and installation problems related to use of plastic pipe have been identified and have been or are being corrected by reporting companies.
- o No major problems were identified.

The leak report records recently requested from the gas companies by the AGA and which it analyzed in its report on the safety of plastic pipe gas distribution systems were for a 1-year period. That time span is not long enough to establish a meaningful trend and certainly is insufficient to support the generally positive conclusions presented. Moreover, while the thrust of the AGA report is that there are no plastic pipe problems, the report's first conclusion stated that "no significant problems are indicated with current plastic gas piping materials" (emphases added). The report does not define "significant problems" and does not state if any significant problems were found with previously installed plastic gas piping materials still in use even though the report acknowledges that some companies have replacement programs for some types of plastic pipe.

The Safety Board believes that the sparse data available on plastic pipeline safety are insufficient to show that there are no problems, and concludes that the AGA report raises more questions than it answers: e.g., who were the companies with the problems, where were they located, are the problems continuing, what caused the problems, have the plastic pipe systems been replaced entirely, and have the gas pressures been lowered in the affected systems? The Safety Board concludes that the DOT should place a high priority on the identification and analysis of plastic pipe material failures to determine the extent of any problem which may exist. It may be that ABS plastic pipe material failures are not epidemic, but the analysis of 1 year's accident statistics from some AGA member companies is not sufficient to put the issue to rest. An extensive evaluation by the DOT in cooperation with the natural gas industry is necessary.

Therefore, the National Transportation Safety Board recommends that the Research and Special Programs Administration of the U.S. Department of Transportation:

> Establish a program to determine whether the problem of chemically induced ABS plastic pipe failure is nationwide. Include a review of the data maintained by the Plastic Pipe Institute, the American Gas Association, the Gas Research Institute, and others on ABS plastic pipe material failures. (Class II, Priority Action) (P-85-18)
>
> Publish and distribute ABS plastic pipe failure data to gas operators nationwide, and develop recommended methods of eliminating or mitigating such failures. (Class III, Longer-Term Action) (P-85-19)

BURNETT, Chairman, GOLDMAN, Vice Chairman, and BURSLEY, Member, concurred in these recommendations.

By: Jim Burnett
Chairman

DRP-

p. 71c

MAR 17 1986

The Honorable James E. Burnett, Jr.
Chairman
National Transportation Safety Board
800 Independence Avenue, S.W.
Washington, D.C. 20594

Dear Mr. Chairman:

On September 25, 1984, a natural gas explosion and fire destroyed two apartments in Phoenix, Arizona. Of 12 persons injured in the fire 5 persons later died. Investigation by the National Transportation Safety Board (NTSB) determined that a 1 1/4-inch-diameter acrylonitrile butadiene styrene (ABS) plastic gas main, supplying gas to the destroyed apartments, developed a 3-inch long longitudinal split in the bottom of the pipe 18 feet from the gas meters on the apartment. Gas had escaped through the longitudinal split, migrated into and under the apartments where it ignited, exploded and burned. The NTSB determined that the probable cause of the accident was the deterioration and ensuing rupture of a 1 1/4-inch-diameter ABS plastic pipe due to weakening from internal environmental stress cracking that resulted from a chemical reaction between the pipe and liquid entrapped in a low spot in the pipe. The split in the pipe allowed natural gas at 30 psig to escape from the failed pipe and to migrate through the adjacent soil into and under the apartments, where it accumulated and was ignited by the gas pilot light of a furnace.

As a result of its investigation of this accident, the NTSB recommended that the Research and Special Programs Administration (RSPA):

> Establish a program to determine whether the problem of chemically induced ABS plastic pipe failure is nationwide. Include a review of the data maintained by the Plastic Pipe Institute, the American Gas Association, the Gas Research Institute, and others on ABS plastic pipe material failures. (Class II, Priority Action) (P-85-18)
>
> Publish and distribute ABS plastic pipe failure data to gas operators nationwide, and develop recommended methods of eliminating or mitigating such failures. (Class III, Longer-Term Action) (P-85-19)

In response to recommendation P-85-18 RSPA:

1. Obtained copies from NTSB of the summary and supplemental reports "Investigation of 1 1/4-inch ABS Gas Pipe Failure" dated March 11, 1985, and June 20, 1985, done for NTSB by Frank Furno and Associates, Inc.

2. Obtained copies of three reports relating to ABS plastic pipe and pipeline liquids in Arizona from the Arizona Corporation Commission.

3. Obtained copies of other papers and tables on the chemical resistance of ABS and analyses of natural gas liquids in U.S. natural gas pipelines from the American Gas Association (AGA) Battelle Columbus Laboratories, U.S. Bureau of Mines, Dow Chemical Company and Frank R. Furno.

4. Developed a list of 21 gas distribution operators, located in 13 states who have ABS pipe in their systems. These 21 operators have 5, 172 miles of ABS mains and 105,026 ABS service lines, representing 0.7 percent of the gas mains and 0.2 percent of the number of gas services in the U.S.. This list, which is believed to include all operators with ABS gas pipe in their systems, is based upon data from the DOT Pipeline Safety Data Base, verified by copies of operator annual reports, and by each State pipeline safety regulatory agency.

5. Analyzed the above data.

6. On August 6, 1985, RSPA held a meeting with experts on plastic pipe and natural gas distribution from the AGA, American Society for Testing and Materials (ASTM), Gas Research Institute (GRI) and the Plastic Pipe Institute (PPI).

As a result of this meeting, the following actions were agreed upon:

A. RSPA will send an advisory letter to each pipeline operator that has been identified as having ABS plastic pipe in their distribution system. This mailing will include a copy of the report "Arizona Public Service Company, Natural Gas Explosion and Fire, Phoenix, Arizona, September 25, 1984, "NTSB/PAR-85-01.

B. The AGA will contact the (new) owner of the distribution system, Southwest Gas Corporation, and request them to supply pertinent information to other operators who have ABS plastic pipe in their systems in an effort to avoid future hazardous conditions because of the effects of gas condensates on ABS plastic pipe.

C. RSPA will consider a proposal for research to identify the potential for similiar accidents in other distribution systems that have ABS plastic pipe.

The list of operators who have ABS indicates that there are only 21 pipeline operators who have ABS plastic pipe in their gas distribution systems. An analysis of this list shows a total of 5,172 miles of ABS mains and 105,026 ABS services in the U.S.. Arizona has 25 percent of these mains and 93.8 percent of the services and Texas has 61.8 percent of the main and 2 percent of the services. Thus in two states we find 86.8 percent of the ABS miles of mains and 95.8 percent of the number of services with which this study is concerned.

In reviewing the analyses of various pipeline gases it also is noted that many pipeline gases contain little or no Hexanes plus (C6+). Although the present condition of the gas being supplied to the 21 gas systems in question is not known, it should be clear that each must be evaluated to determine the presence of detrimental pipeline liquids. If such liquids are present the operator should take steps to minimize the amount entering the ABS portion of their system and remove any accumulations they can locate. If such liquids are not present the operator only needs to monitor his gas supply to be sure that there continues to be no liquids.

Because ABS pipelines are principally in gas systems in Arizona and Texas and because no failures reported outside Arizona have involved liquids, the RSPA does not consider the problem of chemically induced failure to be national in scope justifying general rulemaking action.

In evaluating the various data discussed above, RSPA shares the NTSB concern that the presence of ABS plastic pipe in gas piping systems which may contain natural gas pipeline liquids could cause environmental stress cracking of the ABS material. This combination could then result in a hazard to the public. The NTSB report, the Furno studies and analyses obtained of typical pipeline liquids support this concern.

After considering the limited quantity of ABS pipe now in gas service in the U.S. and actions taken by Southwest Gas Company to remove ABS pipe from the only gas system that has experienced the problem with natural gas liquids and ABS plastic pipe, RSPA does not believe that a research proposal, as discussed at the August 6, 1985, meeting of experts can be justified on a cost/benefit basis.

In response to recommendation P-85-19 RSPA:

1. By letter of September 19, 1985, forwarded a copy of NTSB Report PAR-85/01 to each operator having ABS plastic pipe in their gas system. This letter recommended that the operator evaluate his/her distribution system to determine if pipeline condensates, which may be detrimental to ABS plastic pipe, are present. If such condensates are present, steps should be taken to minimize the probability of contact with ABS pipe.

2. In developing the list of pipeline operators with ABS pipe in their systems RSPA contacted all State regulatory agencies having safety jurisdiction over pipelines. These agencies then contacted operators within their States to alert them to the problem and verify the existence of the ABS pipe.

3. Will publish an Alert Bulletin in the next issue of the DOT Pipeline Safety Newsletter that will notify other pipeline operators of the problem of ABS plastic pipe and natural gas pipeline liquids. This action will serve to give notice of the problem to an operator who has ABS pipe in his system (if he has not been previously identified and notified).

In light of the above effort, RSPA requests that recommendations P-85-18 and P-85-19 be classified as Closed-Acceptable Action.

In the Pipeline Accident Report on the September 25, 1984, explosion in Phoenix, Arizona, NTSB discussed three recommendations made by the Safety Board relating to the collection and use of data reported by operators in the required annual reports and incident reports.

These recommendations were:

P-80-61

Develop and publish for public comment a formal data analysis plan for the pipeline system.

P-80-63

Postpone promulgation of proposed, revised pipeline data forms until development of a data analysis plan and coordination of the forms with the plan.

P-80-65

Train existing personnel to more effectively validate incoming leak report forms.

As a result of these recommendations and further negotiations and agreement between RSPA and NTSB the following actions are being taken:

P-80-61

Under a contract with the Transportation Systems Center a Pipeline Safety Data Analysis Plan is being developed for the RSPA Pipeline Safety Data System. An NTSB staff representative assisted RSPA in developing the nature and scope of the effort and was in general agreement with the planned activity. This study is scheduled for completion in May 1986. RSPA will solicit NTSB's advice in deciding upon the methodology for publication.

P-80-63

Amendment 191-5, Docket OPS-49 was published by RSPA May 3, 1984, with the agreement of NTSB, provided the study in response to Recommendation P-80-61 was performed.

P-80-65

Beginning with the Pipeline Operator Annual Reports for 1985 and the Pipeline Operator Incident Reports for 1986 the appropriate staff of the State regulatory agency or OPS regional offices will validate the data reported. A validation procedure has been developed and provided to each regional office with further instructions to be distributed to each State agent. The procedures will also be included in the Pipeline Safety Data Analysis Plan.

As a result of the above described actions, RSPA also requests that recommendations P-80-61 and P-80-63 be classified as Closed-Acceptable Alternate Action upon completion and publication of the Pipeline Safety Data Analysis Plan, and that recommendation P-80-65 be classified as Closed-Acceptable Alternate Action.

Sincerely,

M. Cynthia Douglass

M. Cynthia Douglass

Mr. LEHMAN. Mr. Coughlin, do you have any questions?

GAS PIPELINE ACCIDENTS

Mr. COUGHLIN. Thank you, Mr. Chairman. I have just one question that I wanted to ask before we go to the justifications.

You have attached to your statement, as Appendix C1 and C2, a summary of gas pipeline accidents, and a summary of liquid pipeline accidents.

In 1985, in terms of gas pipeline accidents, you reported a total of 331 failures, and 26 fatalities. Could you explain the general nature of these failures and fatalities?

Ms. DOUGLASS. Yes. Bob, I do not have that breakdown with me but I think you do.

Mr. PAULLIN. I have it, if I can find it.

Ms. DOUGLASS. Okay. I have looked at that, and I do know that the major cause, once again, is outside force damage. In other words, a backhoe hits the pipe, or somebody doing construction work causes a problem, rather than it being our design regulations.

And with regard to that, we have been working with the States on one-call legislation so that people, construction workers, and companies, can make one call to one telephone number, and they will be able to find out where all the pipelines are in the area. In fact all of the utility companies are working together on that, and there has been a great deal of advertisement of this over the radio, and television, public service announcements. I think I have seen the AGA and API put together some public service announcements in that regard, and we have been working with States to provide them with model legislation, and there has been a great deal of movement in that area.

So I hope that we will be able to reduce that cause over the next few years.

Mr. COUGHLIN. You have a breakdown, you said, of the——

Mr. PAULLIN. Yes, Mr. Coughlin, I do. In the gas distribution system area there were 20 fatalities. The other six occurred in the gas transmission gathering arena.

Ms. DOUGLASS. The distribution are usually, when you——

Mr. COUGHLIN. Have you classified the nature of those fatalities? What kind of an accident they resulted from?

Mr. PAULLIN. Yes. We can do that. I can give you a brief summary now, if you like.

Mr. COUGHLIN. Could you give us a brief summary now and then provide the full classification for the record?

Mr. PAULLIN. Yes, I can. For example, we have had cast iron pipe failures. Cast iron is very susceptible to breaking, particularly the smaller diameter pipes, if it is hit by an outside force, or if there is any subsidence of dirt from underneath it.

Mr. COUGHLIN. Would you classify them as to what percentage of them are caused by an outside force, and what percentage of them are caused by some other reason?

Mr. PAULLIN. Yes. Those statistics have held fairly constant over the years. First, outside damage is the largest and is in the neighborhood of 50 to 60 percent.

Mr. COUGHLIN. And what other kinds of accidents are there, other than outside force-caused?

Mr. PAULLIN. Another major contributor is corrosion and a third category is material defects. And then there are causes that do not fit into those three major categories and are lumped together in "Other" and we have to look at each particular accident. But those are the four major categories of causes.

Mr. COUGHLIN. Appendix C2 indicates that in 1985, in terms of liquid pipeline accidents, there were 190 failures, 5 fatalities and 18 injuries. Can you provide similar material for the record for those?

Mr. PAULLIN. Yes, exactly the same kind of material.

[The information follows:]

In 1985, the causes of the liquid pipeline accidents were: outside force damage, 28 percent; corrosion, 30 percent; material defects, 4 percent, and other, 38 percent.

QUESTIONS SUBMITTED BY THE HONORABLE SILVIO O. CONTE

Mr. LEHMAN. I do have some questions here that Mr. Conte has for Ms. Douglass, which we will insert into the record at this point.

TSC RESEARCH PROJECTS

Mr. CONTE. Ms. Douglass, in your opening statement, you indicated that the mission of the Transportation Systems Center is to "provide research and analysis support to all of the DOT operating administrations, the Office of the Secretary, and other Federal agencies."

Would you briefly elaborate on the types of research projects that are conducted at TSC?

[The information follows:]

In FY 86 and 87, TSC's major ongoing projects are in four transportation areas: safety, modernization, strategic mobility, and security.

Safety projects ongoing at TSC include implementation of the FAA's Cockpit Human Factors Plan; analyses of data in NHTSA's National Accident Sampling System (NASS) and Fatal Accident Reporting Systems (FARS); analysis of drug abuse by transportation operator personnel (OST/P); investigation of small boat crew fatigue (Coast Guard); analyses of hazardous materials transport (RSPA and EPA); assessment of the data in the Safety Information Reporting System for rail transit systems (UMTA), and of the Aviation Safety Analysis System (FAA); and enginering analysis of crashworthiness in motor vehicles (NHTSA).

Modernization projects ongoing at TSC include navigation improvements for the Coast Guard and FAA (e.g., Loran-C and GPS); upgrade of the information resource management systems for the FAA and Coast Guard; improvements in flow control for the FAA's national airways system; development of a national airport capacity expansion plan and of telecommunications and energy utilization management systems for the FAA; rehabilitation of the Army rail network for DOD's FORSCOM; and further automation of the shipping procedures employed by the Military Traffic Management Command.

Strategic Mobility projects ongoing at TSC support the Office of Emergency Transportation, the Maritime Administration, the Federal Emergency Management Administration, the Office of the Secretary of Defense, the Joint Chiefs of Staff, the Air Force Command, and the Military Traffic Management Command. The projects are concerned with methodologies and transportation data base development necessary to assess and plan for civil sector transportation requirements in times of natural disasters or threats to national security.

Security projects ongoing at TSC are assessing surveillance needs and technologies for the reserve fleet (MarAD), ports (Coast Guard), embassies (State Department), and airports (FAA, OST/P, and Air Force).

TSC PROCUREMENT SUPPORT

Mr. CONTE. One of the advantages of having an in-house research institution is that it is not an "interested party" in the outcome of the research.

Especially where research will eventually result in major procurements, as in TSC's work on the FAA's NAS plan, isn't that a significant benefit?

[The information follows:]

TSC currently provides independent and objective "smart buyer" acquisition support for technically complex Federal transportation programs and major system acquisitions. For example, during FY'85, TSC supported OST by conducting an independent assessment of critical issues relating to the advisability of a TSARC decision authorizing implementation of the Acquisition Phase of FAA's Host Computer System.

I believe that a defederalized TSC will still be able to provide this type of independent and objective assessment.

TSC DEFEDERALIZATION

Mr. CONTE. The budget calls for the defederalization of the Transportation Systems Center by April 1987. Where did that proposal originate?

Within your office? Within the Office of the Secretary? Or within OMB?

[The information follows:]

The defederalization of TSC was initially proposed by OMB in January 1984. In subsequent years, OMB continued to recommend TSC's defederalization. The Department's FY '85 and FY '86 budgets reflected these OMB recommendations. Our FY '87 budget proposal "that activities of the TSC be carried out by contract with a non-Federal entity after April 1, 1987," and the recommended FTE level of 239 for TSC support the OMB initiative. The Department proposed the April 1, 1987 date.

DEFEDERALIZATION DATE

Mr. CONTE. Is there anything magical about the April 1987 date for the defederalization of TSC, or, was that picked arbitrarily?

[The information follows:]

The April 1987 date is the middle of the fiscal year and we felt that this was a feasible date that we could establish as a target.

Mr. CONTE. Given the amount of study, planning, and negotiation that would be necessary in order to proceed with the defederalization of the TSC, even if Congress were to permit such a course of action, isn't it unlikely that it could be accomplished in a six-month time period?

[The information follows:]

We recognize that April 1987 is an ambitious date for the privitization of TSC but we will do our best to meet the goal.

TSC CONTRACTS

Mr. CONTE. I understand that TSC has been successful in obtaining contracts this year from some non-DOT agencies.

Would you tell us about those contracts, and indicate whether other non-DOT contracts are in the works?

[The information follows:]

As a national technical resource within the Department of Transportation, TSC routinely enters into working agreements with other Federal agencies needing assistance with transportation-related components of their missions. The number and extent of such projects varies from year to year, based upon non-DOT agency needs and the availability of TSC resources.

During the past year, TSC has been working with: Department of Commerce; Department of Defense; Department of Justice; Department of State; Environmental Protection Agency; and Federal Emergency Management Agency.

Historically, non-DOT work has accounted for a small portion of TSC's total program, typically under five percent. Recently, and in consonance with a May 1, 1985, Memorandum of Understanding between Department of Defense (DOD) and DOT, TSC has begun providing substantially more assistance to DOD agencies. Because of increasing concern about the nation's strategic mobility capability, it is anticipated that TSC work in support of DOD will continue to increase in the future.

This year, the major increase in TSC's technical and program management activities for DOD are associated with: 1) the automation of military transportation and logistics-related information systems and, 2) the upgrade of military transportation infrastructure for mobilization readiness, in particular railroad tracks and associated facilities at fifty-five Army installations. The track modernization work is in support of the Army Forces Command; while the transportation information automation activities support needs of the Joint Chiefs of Staff (J-4, Logistics), the Air Force Systems Command, the Air Force Logistics Command, and the Army Military Traffic Management Command.

TSC STAFFING

Mr. CONTE. What does the budget assume about where DOT will obtain the research talent and expertise currently available at TSC, if that resource is defederalized?

[The information follows:]

It is expected that a defederalized TSC will retain most of its existing talent and expertise. Free from government constraints, a defederalized TSC will be able to support the Department in a more flexible manner and continue to meet the Department's needs.

TSC STATUS INFORMATION GAP

Mr. CONTE. Last year, we ran into some examples of people within DOT who apparently were unaware of the Congressional prohibition on changing the current federal status of TSC, or of planning for any such change.

Can you assure us that such an information "gap" will not occur again?

[The information follows:]

I can assure you there is no such information gap within the Research and Special Programs Administration or at higher levels within the Department. And, I am confident that other DOT elements now are well aware of the prohibition against changing the current Federal status of TSC, or planning for any such change.

TSC RESEARCH CONTRACT FUNDING

Mr. CONTE. Would you provide for the record a table similar to last year's showing the current and projected sources of TSC research contract funding?

Would you also provide an analysis of the changes in each area from the previous year?

[The information follows:]

TSC OBLIGATIONS BY SPONSOR AND FISCAL YEAR

[Dollars in thousands]

Administration	Fiscal year		
	1985 (actual)	1986 (estimated)	1987 (estimated) [1]
USCG	6,458	3,800	
FAA	44,073	39,900	
FHWA	542	100	
MARAD	260	200	
NHTSA	3,458	2,800	
UMTA	6,372	3,600	
FRA	4,166	3,500	
RSPA	2,232	1,800	
OST	1,791	1,200	
DOD	998	9,900	
SBIR	3,470	3,000	
Other	2,244	200	
Total	76,064	70,000	[2] 86,000

[1] Because TSC is funded by elements of DOT and other agencies, it cannot estimate its FY87 budget in detail until these elements are able to make program commitments . . . probably in September or October, 1986.

[2] $42,500 is estimated to be obligated prior to TSC's planned defederlization on April 1, 1987; the balance is anticipated 'obligations' by TSC as a private entity.

EAS PROGRAM RESOURCE REQUIREMENTS

Mr. CONTE. Your budget assumes a decrease in staff associated with the proposed termination of the Essential Air Service program.

What additional resources, in terms of staff and funding, would be necessary if Congress again refuses to terminate the EAS program?

[The information follows:]

If the essential air service program is continued in FY 1987, then one additional position and $65,000 for PC&B will be required. Regulatory functions to support the EAS program would be performed. These would include: 1) a rule to clarify record retention requirements for subsidized carriers, and 2) instruction and enforcement of air carrier reporting obligations that relate to the EAS program. In addition, funds to pay for information collection and analysis will be needed if EAS is retained.

PROPOSED USER FEE LEGISLATION

Mr. CONTE. What is the schedule for submitting the RSPA "user fee" legislation to Congress?

How much funding do you intend to receive from such user fees for pipeline safety?

How much of a shortfall will there be if that legislation is not passed, and would you then request appropriations to make up the difference?

[The information follows:]

Budget Reconciliation passed Congress in March 1986. This package contains a user fee for the pipeline program as well as authorization for DOT to merge the natural gas and pipeline safety grants-in-aid programs. The DOT pipeline safety authorization request will also propose user fees as well as merger of the grant-in-aid programs.

The RSPA user fee legislation will be introduced with the Pipeline Safety Reauthorization (copy attached). The legislation proposed for pipeline safety user fees would rise approximately $8.2 million, including $4.5 million for the grants-in-aid program and $3.7 million for the cost of maintaining, reviewing, and enforcing pipeline regulations. If user fee legislation is not passed, the approximately $8.2 million would have to be appropriated and RSPA would request this amount.

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PIPELINE SAFETY REAUTHORIZATION ACT OF 1986

A BILL

"To authorize appropriations under the Natural Gas Pipeline Safety Act of 1968, as amended, and the Hazardous Liquid Pipeline Safety Act of 1979, as amended, for fiscal years 1987 and 1988, and for other purposes."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Pipeline Safety Reauthorization Act of 1986".

TITLE I - NATURAL GAS

SEC. 101. This title may be cited as the "Natural Gas Pipeline Safety Authorization Act of 1986".

SEC. 102. Section 5(a) of the Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. 1674(a)) is amended by striking "$5,000" and inserting in lieu thereof, "the amount that the Secretary establishes by regulation".

SEC. 103. (a) Section 17(a) of the Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. 1684 (a)) is amended by -

(1) striking "and" at the end of paragraph (3);

(2) striking the period at the end of paragraph (4) and inserting in lieu thereof ";" and

(3) adding at the end thereof the following new paragraphs:

"(5) $3,000,000 for the fiscal year ending September 30, 1987; and

(6) $3,100,000 for the fiscal year ending September 30, 1988."

(b) Section 17 of the Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. 1684) is amended by -

(1) striking subsection (c) and inserting in lieu thereof the following:

(b) For the purposes of carrying out the Federal grants-in-aid provisions of section 5(d) of this Act (49 U.S.C. 1674(d) and section 205(d) of the Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. 2004(d)), there are authorized to be appropriated-

(1) $5,000,000 for the fiscal year ending September 30, 1986;

(2) $4,500,000 for the fiscal year ending September 30, 1987; and

(3) $4,500,000 for the fiscal year ending September 30, 1988."; and

(2) adding at the end thereof the following new subsection:

"(e) In allocating the funds authorized to be appropriated by subsection (c) of this section, the Secretary shall take into account the extent to which each qualifying state agency exercises jurisdiction over intrastate pipeline facilities within that state."

TITLE II - HAZARDOUS LIQUIDS

SEC. 201. This title may be cited as the "Hazardous Liquid Pipeline Safety Authorization Act of 1986".

SEC. 202. Section 205(a) of the Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. 2004(a)) is amended by striking "$5,000" and inserting in lieu thereof, "the amount that the Secretary establishes by regulation".

SEC. 203. Section 214(a) of the Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. 2013(a)) is amended.:

(1) by striking "and" at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4); and

(3) by adding at the end thereof the following new paragraphs:

"(5) $730,000 for the fiscal year ending September 30, 1987; and

(6) $730,000 for the fiscal year ending September 30, 1988."

MTB REORGANIZATION

Mr. CONTE. You recently reorganized the Materials Transportation Bureau.

Would you comment on the effects of the reorganization on your materials transportation program. Are you pleased with the results?

[The information follows:]

The Materials Transportation Bureau (MTB) has been reorganized into two offices: Hazardous Materials Transportation and Pipeline Safety. This action has resulted in two immediate advantages: elimination of a layer of bureaucratic management and a more concentrated focus of technical and regulatory expertise in the management control process. Now that these two important safety programs report directly to the Administrator more immediate high level attention and policy direction is brought to bear on critical operational problems and issues. Since each program now has one person whose entire responsibility is in that area; a more comprehensive and consistent management approach to the day to day operations is achieved. I am most pleased with the results.

TSI TRAINING

Mr. CONTE. You are requesting language to permit the use of tuition fees to provide funding support for your TSI training.

How much money is involved in such fees?

If we do not adopt the proposed language, would you request appropriations in an equivalent amount?

[The information follows:]

RSPA is requesting appropriations of $185,000 and expects to collect an equal amount from tuition to provide a funding level of $370,000. If the proposed language authorizing the use of tuition is not adopted, we would be faced with either operating a partial program at the minimum level of $185,000 or requesting additional funds. Full funding is needed to meet the training needs of the Federal and State governments. Without authority to use tuition, RSPA would request full funding.

TSC FUNDING REDUCTION

Mr. CONTE. Would you explain why there is an anticipated reduction in TSC funds available for obligation from $104 million in fiscal year 1985 to $89 million in fiscal year 1986?

[The information follows:]

TSC anticipates a reduction in overall funds available in FY'86 versus FY'85 because of a $20 million decrease in the prior year's work in process. The work-in-process funding carried forward from fiscal year 1984 into fiscal year 1985 was unusually high. It resulted from a major FAA initiative at TSC for the National Airspace Plan during fiscal years 1983 and 1984. TSC, through shifts of employees and resources, adjusted to this increased workload during fiscal year 1985 and therefore, has not carried forward as much work in process into FY'86. New obligational authority for FY'86 is actually expected to increase from the FY'85 level.

FEDERAL RADIONAVIGATION PLAN

Mr. CONTE. Please outline your proposed 1987 activities in connection with the Federal Radionavigation Plan.

[The information follows:]

FY 1987 activities in connection with the Federal Radionavigation Plan (FRP) include: Printing and distributing the 1986 edition and monitoring national and international developments and advancements in radionavigation to determine their impact on the 1988 edition of the FRP. Specific areas to be monitored and evaluated include: efforts of the International Association of Lighthouse Authorities and International Maritime Organization to develop a Worldwide Radionavigation Plan, the

developing role of privately operated radio determination systems, delays in the Global Positioning System (GPS) due to the Space Shuttle failure and the implementation of mid-continent LORAN-C.

JUSTIFICATIONS

Mr. LEHMAN. Why don't you ask a few budget justification questions, Mr. Coughlin?

Mr. COUGHLIN. We will turn to the justifications.

STAFFING

Mr. COUGHLIN. Please update for the record the staffing tables found on page 636 of last year's hearing record.

[The information follows:]

RSPA STAFFING SUMMARY

	Fiscal year 1985			Fiscal year 1986			Fiscal year 1987		
	Pos [1]	Ceiling [2]	OB [3]	Pos [1]	Ceiling [2]	OB [3]	Pos [1]	Ceiling [2]	OB [3]
RSPA									
Washington	175	175	174	171	171		170	170	
TSC	527	500	493	527	500				
Total	702	675	667	698	671		170	170	

[1] Pos: Authorized positions
[2] Ceiling: End of the year Secretary's position ceiling
[3] OB: End-of-year on board positions.

AUTHORIZED POSITIONS

	Fiscal year 1986	Fiscal year 1987
RSPA—Washington:		
Administrator	3	5
Chief Counsel	8	8
Office of Program Management and Administration	15	15
Office of Emergency Trafisportation	10	10
Office of Aviation Information Management	25	10
Office of Hazardous Material Transportation	65	77
Office of Pipeline Safety	45	45
Total	171	170

GRADE DISTRIBUTION

Mr. COUGHLIN. Please also update the grade distribution tables found on pages 638 and 639 of last year's hearing record.

[The information follows:]

CURRENT STAFFING

Office of the Administrator

SES	2
GS-13	1
GS-12	1
GS-11	1
Total	5

Office of Chief Counsel

GS-15	1
GS-14	2
GS-12	1
GS-9	1
GS-7	1
Total -	6

Office of Emergency Transportation

GS-15	2
GS-14	3
GS-13	1
GS-9	1
GS-7	2
Total -	9

Office of Program Mangement and Administration

GS-15	4
GS-14	3
GS-13	2
GS-11	1
GS-9	4
GS-8	1
GS-7	2
GS-6	1
GS-5	1
Total -	19

CURRENT STAFFING (Cont'd)

Office of Aviation Information Management

GS-15	5
GS-14	3
GS-13	6
GS-12	3
GS-11	2
GS-9	3
GS-8	5
GS-7	4
GS-6	1
Total	32

Office of Hazardous Materials Transportation

SES	2
GS-15	5
GS-14	12
GS-13	17
GS-12	5
GS-11	3
GS-9	4
GS-8	1
GS-7	5
GS-6	4
GS-5	1
Total	59

Office of Pipeline Safety

SES	2
GS-15	5
GS-14	9
GS-13	7
GS-12	3
GS-11	3
GS-9	3
GS-8	1
GS-7	4
GS-6	4
GS-5	1
Total	42

Mr. COUGHLIN. According to the grade distribution information provided for the record last year, several of your offices seem to be somewhat top heavy.

For instance, 27 percent of the Office of Emergency Transportation, 24 percent of the Office of Administration, and 15 percent of the Office of Aviation Information are graded at the GS–15 level or above.

Do you think these offices are top heavy, and if so, what are you doing about it?

Ms. DOUGLASS. Well, I do think that our grade levels are top heavy. I said that last year, but the reason for that was that back some years ago, a very significant RIF took place, and that RIF resulted in the lower-ranked, or lower-graded staff moving out of the agency, and into other agencies or areas, and left us with the higher grades.

We have been trying to address this problem through attrition, and last year, we had made a little bit of progress, and then this year we have made further progress.

In the Office of Emergency Transportation, we have been able to reduce the number of GS–15s by one, in that office. In Program Management and Administration, again, we have reduced that by one GS–15 and one GS–12. In the Office of Aviation Management, we have reduced that office by one GS–14, by attrition. The grade levels in AIM, we are going to be transferring a number of people up to the Transportation Systems Center, and those will primarily be lower-graded positions, because the people left in RSPA will be the people responsible for writing the regulations regarding aviation information collection.

And that regulatory work is of a higher grade level because it involves program analysis, communications with top officials, and industry coordination and major policy work.

So we will continue to try to reduce our grade levels.

AUTHORIZING LEGISLATION

Mr. COUGHLIN. To what extent does your fiscal year 1987 appropriation require authorizing legislation, and what is the status of any such legislation?

Ms. DOUGLASS. We will have to send up legislation for pipeline safety and for hazardous materials transportation. Those should be up shortly. I am surprised that they are not even ready yet.

Well, they should be up very, very shortly. We will be reauthorizing the Hazardous Liquid Pipeline Safety Act, the Natural Gas Pipeline Safety Act, and the Hazardous Materials Transportation Act. And the most important changes in that area will be the request to merge the two pipeline grant programs, and the request to be able to assess user fees to cover the costs of the Federal Pipeline Safety Program.

Mr. COUGHLIN. In your justification you show a request for $20,024,000, and then you indicate that additional authorizing legislation is to be proposed for $14,823,000. What is that all about?

Ms. DOUGLASS. Our total budget for fiscal year 1987, that we are asking for, is $20,024,000. The $14 million is simply the sum total of our authorizing legislation.

Mr. COUGHLIN. Is it on top of the $20 million or is it part of it?

Ms. DOUGLASS. It is not on top of it; it is just a part of it. It is not on top; it is not twenty plus fourteen. It is a total of twenty.

OVERSEAS TRAVEL

Mr. COUGHLIN. Please update for the record the breakdown of all official overseas travel performed by RSPA employees appearing on pages 641 through 647 of last year's hearing record.

[The information follows:]

OVERSEAS TRAV.

ber of Persons	Where	When	Purpose	p.1 Cost
1	Geneva, Switzerland	Oct. 01-13, 1984	Participated in a Joint Meeting of the RID Safety Committee and the Economic Commission for Europe (ECE) Group of Experts on the Transport of Dangerous Goods.	Paid for by the State Dept.
1	Cologne, Germany	Oct 03-11, 1984	Fulfilled the duties of Technical Manager of the Joint U.S. - FRG Cooperative Study of Sofware/Firmware Safety Verification.	$ 2,022.00
1	Rijswijk, The Netherlands	Oct. 07-12, 1984	Participated in an international meeting on testing methods for organic peroxides at the thirty-first session of the United Nations Group of Rapporteurs on the Transport of dangerous goods.	$ 1,735.00
1	Montreal, Canada	Oct. 15-18, 1984	Participated in the working session of the American Society of Testing and Materials (ASTM) Committee and in the Planning Session for 4th International Civil Aviation Security Conference.	$ 667.00
1	Cairo, Egypt	Oct. 21-25, 1984	As a continuation of the U.S. Dept. of State Anti-Terrorism Assistance Program, a security assessment team has been requested by the Egyptian Govt.	Paid for by the State Dept.
1	Vienna, Austria	Nov. 11-17, 1984	Participated in the meeting of the International Atomic Energy Agency's (IAEA) Technical Committee on Assuring the Implementation of the Regulations for the Safe Transport of Radioactive Materials	$ 1,575.00
1	Brussels, Belgium	Nov. 11-17, 1984	Attended the Fall Plenary Meeting NATO Civil Aviation Planning Committee (CAPC) to discuss U.S. CAPC matters with the U.S. Mission, U.S. NATO Civil Emergency Preparedness Officer.	$ 1,250.00

Number of Persons	Where	When	Purpose	Cost
1	Brussels, Belgium	Nov. 11-17, 1984	Attended as the US Representative and Head of the U.S. Delegation to discuss U.S. CAPA matters with the U.S, Mission, U.S.Civil Emergency Preparedness Officer.	$ 500.00
1	Brussels, Belgium	Nov. 21-29, 1984	To demonstrate the DOT Emergency Transportation Data System.	Paid for by the Military Traffic Mgmt. Command
1	Mexico City, Mexico	Nov. 26-Dec 7, 1984	Site visit to the PEMEX LPG facility in Mexico City to observe the conditions pertinent to the major explosion and fire of Nov. 19, 1984.	$ 800.00
1	Tokyo, Japan	Nov. 26-Dec. 13, 1984	Travel is necessary under the HM-74 program initiated in 1976.	Paid for by Inspected Agencies
1	Jamaica, Antigua and St. Kitts	Nov. 27-Dec. 5, 1984	As a continuation of the U.S. Dept. of State Anti-Terrorism Assistance Program, a security assessment team has been requested by the Govt. of Jamaica, Antigua and St. Kitts.	Paid for by the State Dept.
5	Curacao & Aruba, Netherlands Antilles	Dec. 02-07, 1984	Conducted Civil Aviation Security Seminar and Crisis (Hijack) Management Seminar for FAA.	$ 6,100.00
4	Geneva, Switzerland	Dec. 02-13, 1984	Participated as members of the U.S.'s Delegation in the Thirteenth Session of the Committee of Experts on the Transport of Dangerous Goods of the United Nations Economic and Social Council.	Paid for by the State Dept.
1	Paris, & Strasbourg France, Peterborough & Chesterfield, England	Dec. 02-20, 1984	Travel is necessary under the HM-74 program initiated in 1976.	Paid for by Inspected Agencies

Number of Persons	Where	When	Purpose	Cost
2	Montreal, Canada	Dec. 04-05, 1984	Traveled to the International Civil Aviation Organization (ICAO) office to transport, install, and test telecommunications equipment for the U.S. Delegation to ICAO.	$ 702.00
2	Cairo, Egypt	Jan.05-16, 1985	Briefed Egyptian sky marshals on tactics and techniques used by U.S. Federal Air Marshals.	Paid for by the State Dept.
1	Ottawa, Canada	Jan. 02-03, 1985	Meet with representatives of the Dangerous Goods Directorate of Transport Canada to discuss matters relating to international hazardous materials transport.	$ 462.60
2	Tunis, Tunisia	Jan. 03-12, 1985	Participated in the Department of State Phase III Training International Civil Aviation Security Seminar Transportation Security Crisis (Hijack) Mgmt. Seminar, for the Government of Tunisia.	Paid for by the State Dept.
2	Naples, Italy	Jan. 11-23, 1985	Attended the Winter Quarter meetings of the Reinforcement and Bureau for Coordination of Civil Aviation (BOCCA) Study Groups and the Technical Working Group.	$ 1,750.00
1	San Jose, Costa Rica	Jan. 13-19, 1985	To conduct an airport security survey and provide technical security assistance to the Costa Rica Govt.	Paid for by the State Dept.
1	Mexico City, Mexico Veracruz, Mexico	Feb. 10-15, 1985	Travel is necessary under the HM-74 Program initiated in 1976.	Paid for by Inspected Agencies
1	Montreal, Canada	Feb. 17-Mar. 02, 1985	Participated in the capacity of the United States Panel Member, in the Ninth Meeting of the International Civil Aviation Organization (ICAO) Dangerous Goods Panel.	Paid for by the State Dept.

Number of Persons	Where	When	Purpose	Cost
4	Brussels, Belgium	Feb. 23-Mar. 14, 1985	Participated in a classified overseas location as active players in the Biennial Joint Military/Civilian NATO-Wide Exercise WINTEX-CIMEX 85.	$ 600.00
1	Tokyo, Japan	Mar. 02-13, 1985	Travel is necessary under the HM-74 program initiated in 1976.	Paid for by Inspected Agencies
1	Brussel, Belgium	Mar. 02-14, 1985	Participated in a classified overseas location as an active player in the Biennial Joint Military/Civilian NATO-Wide Exercise WINTEX-CIMEX 85.	$ 1,675.00
1	Toronto, Canada	Mar. 18-21, 1985	Travel is necessary under the HM-74 program initiated in 1976.	Paid for by Inspected Agencies
1	Vancouver, B.C., Canada	Mar. 18-22, 1985	Participated in a symposium to be conducted as a function leading to The 1986 World Exposition.	Paid for by by the 1986 World Exposition.
1	Berne, Switzerland	Mar. 18-29, 1985	Participated in a Joint Meeting of the RID Safety Committee and the Economic Commission for Europe (ECE) Group of Experts on the Transport of Dangerous Goods.	Paid for by the State Dept.
1	Vienna, Austria	April 20-26, 1985	Travel is necessary under the HM-74 program initiated in 1976	Paid for Inspected Agencies
3	Brussels, Belgium	April 20-27, 1985	Participated in a series of NATO Civil Aviation Planning Committee (CAPC) Subordinate technical Study and Working Group meetings.	$ 1,500.00

Number of Persons	Where	When	Purpose	Cost
2	Montreal, Canada	April 21-27, 1985	Participated in a meeting of the Group of Experts on Explosives of the United Nations Committee of Experts on Explosives on the Transport of Dangerous Goods. This meeting will review the explosives entries and eliminate or combine existing entries to the maximum extent possible.	$ 1,546.54
1	Brussels, Belgium London, England	May 06-17, 1985	Participated in a meeting of the International Atomic Energy Agency's Radioactive Study Group and the 37th Session of the International Maritime Organization's (IMO) Subcommittee on the Carriage of Dangerous Goods.	$ 2,220.00
1	Soederkoeping, Sweden London, England	May 08-17, 1985	Attend the International Data Exchange on Aviation Safety (IDEAS) meeting in Sweden, and discuss Wake Vortex seperations in London with Chief Scientist.	$ 2, 356.00
1	London, England	May 11-23, 1985	Participated in the 37th Session of the International Maritime Organization (IMO) Subcommittee on the Carriage of Dangerous Goods, and in a meeting concerning the approval of explosives for international transport sponsored by the UK Chief Inspector of Explosives of the Health and Safety Executive.	$ 1,865.00
1	Brussels, Belgium	May 25-31, 1985 June 05-06, 1985	Attended as Head of the U.S. Delegation to the Civil Aviation Planning Committee's Fall Plenary Meeting, and to discuss CAPC matters with the U.S. Mission Civil Emergency Preparedness Office.	$ 900.00
3	Brussels, Belgium	May 29-June 09, 1985	Attended and actively participated in the proceedings of the Civil Aviation Planning Committee's Spring 1985 Plenary meeting, the Technical Working Group meeting, and the Insurance Group meeting.	$ 2,450.00

aber of Persons	Where	When	Purpose	Cost
1	Brussels, Belgium	May 31-June 07, 1985	Attended the Spring 1985 Plenary Meeting of the NATO Civil Aviation Planning Committee (CAPC) as an observer and to discuss Civil Emergency Planning (CEP) activities with the US NATO CEP Rep. and the International Staff, as they related to the US/NATO interface.	$ 1,300.00
1	Rio de Janeiro, Brazil	June 16-29, 1985	Travel is necessary under the HM-74 program initiated in 1976.	Paid for by Inspected Agencies
1	Vienna, Austria	June 17-21, 1985	Provided technical assistance at the International Atomic Energy Agency's Technical Committee on Guidance for the Optimization of Radiation Protection in the Transport of Radioactive Materials.	$ 1,550.00
1	Mannheim, Braunschweig. & Stuttgart, West Germany	July 08-17, 1985	Participated in tests of a protype Microwave Landing System (MLS) airborne interrogator for purpose of finalizing technical specifications; also to review and discuss field test procedures and test results obtained on the German DME/P ground transponder system.	$ 1,839.00
1	Tunis, Tunisia	Aug. 03-08, 1985	Continuation of the U.S. Dept. of State Antiterrorism Assistance Program, a security assessment team has been requested by the Government. Purpose of the assessment is to identify the current threat and make appropriate recommendations.	Paid for by State Dept.
1	Vienna, Austria	Aug. 17-31, 1985	Travel is necessary under the HM-74 program initiated in 1976.	Paid for by Inspected Agencies
1	Oberusel/Mannheim Germany	Sept. 02-09, 1985	Attended Container Management System Data Requirements meeting and to analyze container operations in U.S. European Theater.	$ 1,660.00

aber of Persons	Where	When	Purpose	Cost
4	Brussels, Belgium	Sept. 02-14, 1986	Participated at NATO Headquarters in a series of NATO civil emergency preparedness meetings related to the activities of the NATO Civil Aviation Planning Committee (CAPC).	$ 1,800.00
1	London, England	Sept. 08-14, 1985	Participated in a conference held by the Royal Institute of Technology as a representative of the U.S. DOT/RSPA-TSC.	$ 1,850.00
1	Geneva, Switzerland	Sept. 09-13, 1985	Represented the Dept. of Transportation at the United Nations Economic and Social Council ECE Group of Experts on Transport Statistics 36th Session.	Paid for by the State Dept.
3	Geneva, Switzerland	Sept. 16-20, 1985	Attend the 25th Session of the Group of Experts on Explosives of the United Nations (UN) Committee of Experts on the Transport of Dangerous Goods.	Paid for by the State Dept.
1	Geneva, Switzerland	Sept. 22-Oct 04, 1985	Attended the Joint Meeting of the RID Safety Committee and the Economic Commission for Europe (ECE) Group of Experts on the Transport of Dangerous Goods.	$ 580.00
1	London, England	Sept. 24-Oct 05, 1985	Participated in the international working group sessions to be hosted by the United Kingdom and Soviet participants in the COSPAS/SARSAT program. These working groups consist of representatives from the United States, Canada, France, the Soviet Union, Great Britain, Norway and other nations.	$ 3,518.00

Number of Persons	Where	When	Purpose	Cost
2	Banff, Alberta, Canada	Sept. 28-Oct. 04, 1985	Conducted the State Hazardous Materials Enforcement Development (SHMED) meeting jointly with the Commerical Vehicle Safety Alliance Meeting.	$1,981.06
1	Banff, Alberta, Canada	Sept. 28-Oct. 04, 1985	Conducted the State Hazardous Materials Enforcement Development (SHMED) program meeting jointly with the Commerical Vehicle Safety Alliance Meeting.	$ 965.00
1	Banff, Alberta, Canada	Sept. 29-Oct. 1, 1985	Conducted the State Hazardous Materials Enforcement Development (SHMED) program meeting jointly with the Commerical Vehicle Safety Alliance Meeting.	$ 707.53
1	Banff, Alberta, Canada	Sept. 30-Oct 04, 1985	Attend the annual Commerical Vehicle Safety Alliance CVSA, Motor Carrier Safety Asst. Program (MCSAP), and the SHMED program	Paid for by Federal Highway Admin.
1	Beijing, China	Sept. 29-Oct. 16, 1985	The International Atomic Energy Agency (IAEA) has been requested by the Government of China to arrange an expert advisory mission to provide asst. in the safe transportation of radioactive materials.	Paid for by IAEA

SES BONUS AWARDS

Mr. COUGHLIN. Please update the submission found on page 648 of last year's hearing record concerning SES bonus awards. This should include a listing of all RSPA employees receiving more than one award.

[The information follows:]

SES AWARDS—FY 1986

RESEARCH AND SPECIAL PROGRAMS APPROPRIATION

SES performance awards, $9,900.

Howard Dugoff—Presidential ranks (meritorious), $10,000, 1980 and performance award, $8,978, 1982; $9,500, 1983; $13,980, 1984.

Leon Santman—Performance award, $10,000, 1980; $10,000, 1981; $6,172, 1982; $5,900, 1983; $9,475, 1984.

Alan Roberts—Performance award, $5,800, 1983; $5,925, 1984; $5,980, 1985.

Robert Paullin—Performance award, $3,920, 1985.

TRANSPORTATION SYSTEMS CENTER

SES Presidential ranks, $10,000.

SES Performance Awards, $21,940.

Louis Roberts—Performance award, $9,500, 1983; Presidential ranks, $10,000, 1984, Performance award, $14,100, 1985.

Frank Tung—Performance award, $3,900, 1983; $3,925, 1984; Presidential ranks, $10,000, 1985.

Thomas Harvey—Performance award, $3,920, 1985.

Richard John—Performance award, $3,920, 1985.

Mr. COUGHLIN. What is budgeted for SES awards for fiscal year 1987?

[The information follows:]

$20,000 is budgeted for SES awards for fiscal year 1987.

REORGANIZATION

Mr. COUGHLIN. On page one there is a chart of your new organization structure. Why did you eliminate the Materials Transportation Bureau?

[The information follows:]

The reasons for eliminating/reorganizing the Materials Transportation Bureau (MTB) were: first, the existence of the MTB provided an unnecessary bureaucratic layer between the Research and Special Programs Administration Administrator and the hazardous materials transportation and pipeline safety program areas; second, we determined that these vital safety programs deserved and required separate staff direction and would be better managed by individual managers reporting to the Administrator than by a single manager responsible for both programs.

REORGANIZATION STAFFING BREAKDOWN

Mr. COUGHLIN. Please provide for the record a detailed "before and after" reorganization staffing breakdown for the MTB function by office, and explain any cost savings achieved through this reorganization.

[The information follows:]

Before the reorganization, the staffing breakdown for MTB by Office was:

	Positions
1. Director's Office	6
2. Office of Operations & Enforcement	45
3. Office of Hazardous Materials Regulation	39

	Positions
4. Office of Pipeline Safety Regulation	12
5. Alaska Natural Gas Pipeline Project	1
6. Office of Regulatory Planning & Analysis	8
Total positions	111

After the MTB reorganization, the staffing breakdown by Office was:

	Positions
1. Office of Hazardous Materials Transportation	65
2. Office of Pipeline Safety	45
3. Office of Chief Counsel	1
Total positions	111

Since overhead positions were converted to Safety Critical Enforcement Specialist positions, no cost savings were realized in the reorganization.

GRAMM-RUDMAN-HOLLINGS

Mr. COUGHLIN. On page five of your justifications you show an $830,000 reduction in fiscal year 1986 due to the March 1 Gramm-Rudman reduction.

Was this taken in a uniform amount across all your accounts? And how will this affect your programs in fiscal year 1986?

Ms. DOUGLASS. This is how we took it. A 1.8 percent reduction in our operations, which includes our salaries and benefits for staff. So we did not reduce our staff.

And we did not reduce our operations programs. We took a 1.8 percent cut there. We took a 4.3 percent cut in the grants-in-aid, the Natural Gas Pipeline Safety grants-in-aid.

And then we took most of our cut in the R&D area, 16 percent in the R&D area, and we took, most of that in nonsafety—well, I would call them nonsafety-related programs such as communication and radionavigation.

The effect of that will be our timetables will fall behind a bit on our communication and radionavigation work. We still need to do the work; it is going to be further down the road.

Mr. COUGHLIN. Are you confident that your reductions fall within the guidance given in the Continuing Resolution?

Ms. DOUGLASS. Yes, the guidance in the Resolution. We were required to cut the Grant Program, as I understand it, by 4.3 percent, and, other than that, and within our program areas, we were given discretion, you know, to make the 4.3 percent where we felt it would be best.

PROGRAM AND FINANCING

Mr. COUGHLIN. Please update the reimbursable table found on page 649 of last year's hearing record.

[The information follows:]

The breakdown of the offsetting collections estimated for fiscal year 1984 through 1987 are as follows:

	Fiscal year			
	1984	1985	1986	1987
University Research (OST, FHWA, NHTSA, UMTA)	$700,000			
Radionavigation (USCG, FAA, DOD)	500,000	$600,000	$150,000	$150,000
Hazardous Materials (OST, FEMA, NRC)	100,000	300,000	150,000	150,000

	Fiscal year			
	1984	1985	1986	1987
Emergency Transportation (DCA, DOA, DOD)	50,000	150,000	100,000	100,000
Transportation statistics, data and information (USCG, FHWA, NHTSA, ICC)	150,000	200,000	50,000	50,000
Pipeline Safety (MARAD, OFI)		250,000	150,000	150,000
Transportation Safety Institute		237,000		200,000
Total estimate	1,500,000	1,737,000	600,000	800,000

Mr. COUGHLIN. Please explain the $113,000 recovery of prior year obligations in fiscal year 1985 as reported on page four.

Please list the name of any defaulted contractors and explain if they were debarred as a result of your action.

[The information follows:]

The $113,000 recovery of prior year obligations, in Fiscal Year 1985, are funds from prior year R&D contracts and interagency agreements that were completed and the unexpended balances were deobligated.

We have no defaulted contractors nor have we debarred any contractor.

STANDARD LEVEL USER CHARGES

Mr. COUGHLIN. On page seven, you show a 14 percent increase in office space charges, from $698,000 to $798,000. Is this because you are using more space or because the rates will increase?

Ms. DOUGLASS. We call it SLUC, Standard Level User Charges, and the 14 percent increase is a result of a pro-rated DOT share assigned to RSPA by OMB, after consultation with GSA.

Mr. COUGHLIN. So it is not because you are using more space?

Ms. DOUGLASS. No. In fact we are down a little bit in space. At this time we are at approximately 157 square feet per person, and the GSA goal is, 135 square feet, and we are moving towards that. We hope to be there by 1991.

Mr. COUGHLIN. Please update for the record the office space data found on pages 654 and 655 of last year's hearing record.

[The information follows:]

	1984	1985	1986	1987
Washington: [1]				
Square footage	32,786	38,474	38,474	38,474
No. of employees	179	212	212	212
SLUC/rental cost	$750,000	$698,000	$698,000	$798,000
Average SLUC Charge/square feet	23.87	18.17	18.17	$20.07
Boston—TSC office space/occupants [2]				
Square footage [3]	119,232	119,232	129,965	162,667
Percent occupied [4]	93	100	100	100
Average SLUC/rental cost [5]				
Eastern Region—Washington:				
Square footage	725	725	725	725
No. of employees				
Average SLUC/rental cost [6]				
Southern Region—Atlanta:				
Square footage	1,430	1,260	1,260	1,458
No. of employees	6	6	6	6
Average SLUC/rental cost [6]				
Central Region—Kansas City:				
Square footage	1,000	715	715	830

	1984	1985	1986	1987
No. of employees	5	5	5	4/5
Average SLUC/rental costs[6]				
Southwest Region—Houston:				
Square footage	900	1,058	1,058	1,005
No. of employees	5	5	5	5
Average SLUC/rental costs[6]				
Western Region—Lakewood:				
Square footage	1,025	1,220	1,220	1,150
No. of employees	5	5	5	4/5
Average SLUC/rental costs[6]				
Transportation Safety Institute—Oklahoma City:				
Square footage[5]				
No. of employees	2	2	2	2
Average SLUC/rental costs[7]				

[1] Increase due to addition of CAB employees.
[2] Includes TSC employees, tenants, and on-site support contractors.
[3] Increase due to conversion of storage space to office space.
[4] Percent occupied: based on capacity of 1,092 people.
[5] No SLUC Charges—DOT-owned facility.
[6] Included in Washington payoff.
[7] No SLUC charges—FAA-owned facility.

ADVISORY COMMITTEES

Mr. COUGHLIN. Please provide for the record a breakdown of advisory committee costs and activities in the same format as that included in your fiscal year 1986 budget justification.

[The information follows:]

ADVISORY C IMITTEE

1. Name: Technical Hazardous Liquid Pipeline Safety Standards Committee

2. Statutory or Other Derivation: Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. 2003(b)).

3. Mission: The Committee reviews and reports on the technical feasibility, reasonableness, and practicability of any notice of a proposed hazardous liquid pipeline safety standard.

4. Number of Members (A/O 10/1/85):
Authorized (by Legislation or other) 15
Filled- 15

5. Qualifications Required (if any): Members are appointed on the basis of their experience in safety regulations affecting transportation of hazardous liquid facilities, or their training, experience, or knowledge in one or more fields of engineering needed to evaluate hazardous liquid pipeline safety standards that regulate the transportation of hazardous liquids or the operation of pipeline facilities.

6. Allowed Expenses (A/O 10/1/85):
Wages - None
All other - $20,628 est.

7. Full or Part-time Professional Staff (A/O 10/1/85): None
Allowed Expenses:
Wages - None
All other - $2606

8. List major accomplishments:
FY 1984
(1) Review and approved proposed amendments to 49 CFR Part 195, on "Transportation of Hazardous Liquids by Pipelines; "Regulation of Intrastate Pipelines", and New Criteria for Isolated Corrosion Pitting.
FY 1985
(1) Reviewed and approved (a) new definition to be included in 195.2 for gathering line, rural area, and production facility; and (b) proposed amendments to 49 CFR Part 195 Sections 195.214, 195.27, 195.3 and 195.234(e).
(2) Reviewed DOT Pipeline Safety Program in conjunction with TPSSC and provided conclusions in joint report to the Administrator RSPA.
(3) In conjuncton with the TPSSC reviewed and commented on several reports of studies conducted by RSPA on pipeline matters in response to GAO and congressional requests.

9. Number of Meetings (by fiscal year):

1981	1982	1983	1984	1985	1986 est.	1987 est.
N/A	1	1	1	3	1	2

10. Total Cost of Committee (by fiscal year):

1981	1982	1983	1984	1985	1986 est.	1987 est.
—	$12,100	$12,032	$12,688	$23,234	$5,000	$16,000

ADVISORY COMMITTEE

1. Name: Technical Pipeline Safety Standards Committee

2. Statutory or Other Derivation: Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. 1673 (b)).

3. Mission: The committee reviews and reports on the technical feasibility, reasonableness, and practicability of any notice of a proposed gas pipeline safety standard.

4. Number of Members (A/O 10/1/85f):
   Authorized (by Legislation or other) 15
   Filled-14

5. Qualifications Required (if any): Members are appointed on the basis of their experience in safety regulations affecting the transportation of gas and of pipeline facilities, or their training, experience, or knowledge in one or more fields of engineering needed to evaluate gas pipeline safety standards that regulate the transportation of gas or the operation of pipeline facilities to evaluate gas pipeline safety standards.

6. Allowed Expenses (A/O 10/1/85):
   Wages - None
   All other - $11,347

7. Full or Part-time Professional Staff (A/O 10/1/85): None
   Allowed Expenses:
   Wages - None
   All other - $2606

8. List major accomplishments:
   FY 1984
   (1) Reviewed and approved a proposed gas pipeline safety standard amendment relating to Section 192.143 of 49 CFR 192 with recommendation for changes. Reviewed and provided informal views on four proposed regulatory projects being considered by MTB.
   FY 1985
   (1) Review and approval proposed amendments to 49 CFR Part 192 Sections 192.243 and 192.313(a).
   (2) Reviewed DOT Pipeline Safety Program in conjunction with THLPSSC and provided conclusions in joint report to the Administrator RSPA.
   (3) In conjuncton with the THLPSSC reviewed and commented on several reports of studies conduct by RSPA on pipeline matters in response to GAO and congressional requests.

9. Number of Meetings (by fiscal year):

1981	1982	1983	1984	1985	1986 est.	1987 est.
1	0	1	1	3	2	2

10. Total Cost of Committee (by fiscal year):

1981	1982	1983	1984	1985	1986 est.	1987 est.
$8,900	—	$12,811	$9,189	$13,953	$9,500	$9,500

ADVISORY COMMITTEE

1. NAME: National Hazardous Materials Transportation Advisory Committee (NHMTAC).

2. STATUTORY OR OTHER DERIVATION: Federal Advisory Committee Act (Pub. L. 92-463, 86 Stat. 720) (FACA); and Section 109 (d)(3) of the Hazardous Materials Transportation Act (49 U.S.C. 1808 (d)(3).

3. MISSION: The NHMTAC provides information, advice, and recommendations to DOT on matters relating to all aspects of hazardous materials transportation and Federal, State, and local government roles and relationships.

4. NUMBER OF MEMBERS (A/O 10/1/84):
   Authorized (by Legislation or other) 21
   Filled- 21 Appointed by Secretary on January 29, 1985.

5. QUALIFICATIONS REQUIRED (IF ANY): Members are appointed by the Secretary, after consultation with appropriate State and local government bodies, industry associations, labor organizations, and public interest groups. Members shall be appointed from among representatives of Federal, State, and local governments; hazardous materials shippers, carriers, and packaging manufacturers; organized labor; academia; and other concerned individuals expert in hazardous materials transportation.

6. ALLOWED EXPENSES (A/O 10/1/84):
   Wages -- None
   All other -- Travel

7. FULL OR PART-TIME PROFESSIONAL STAFF (A/O 10/1/84): N/A
   Number--
   ALLOWED EXPENSES:
   Wages--(p/d or p/a)
   All other--

8. LIST TWO MAJOR ACCOMPLISHMENTS: Committee met for the first time on February 19, 1985, and throughout the remainder of FY 1985 to develop recommendations to the Secretary.

   FY 1985 (1) Drafted recommendations to be finalized in FY 1986.

9. NUMBER OF MEETINGS (BY FISCAL YEAR):

1983	1984	1985act.	1986est.	1987est.
		3	2	4

10. TOTAL COST OF COMMITTEE (BY FISCAL YEAR):

1983	1984	1985act.	1986est.	1987est.
		$35,000*	$20,000	$40,000

* Also includes travel of members to hold working group meetings.

OFFICE OF THE ADMINISTRATOR

Mr. COUGHLIN. On page fourteen would you explain the need for two additional positions in the Office of the Administrator, increasing the total from three to five?

Ms. DOUGLASS. All right. That is, really, an attempt on my part to make sure that we are very straightforward with the committee, and that you know exactly where the people are in RSPA.

I will tell you what the five positions are. They have always been there, and they are there now. There is the Administrator, the Deputy Administrator, a secretary, a special assistant, and our civil rights officer.

Mr. COUGHLIN. And these people have always been there?

Ms. DOUGLASS. Yes. I think before, we had set out the one civil rights officer had had its own slot, in the budget so——

Mr. COUGHLIN. We commend you and hope that in the future the budgets are accurate.

Ms. DOUGLASS. I agree with that.

Mr. COUGHLIN. Please provide for the record a breakdown of the job titles, grades, and functions for each person in the Office of the Administrator, and identify the two new positions.

[The information follows:]

Administrator ES-301-6

The Administrator is the principal advisor to the Secretary on matters relating to RSPA programs and activities, directs and controls the operations of the Research and Special Programs Administration.

Special Assistant GS-301-12

Reviews and analyzes all material before presentation to the Administrator. Coordinates all Public Affairs and Congressional contacts for RSPA, attends meetings and conferences for the Administrator.

Secretary (Stenographer) GS-318-11

Serves as personal secretary and assistant to the Administrator.

Equal Opportunity Specialist GM-360-13

Serves as the principal staff advisor to the Administrator and the management staff on Civil Rights and Equal Employment Opportunity programs.

Deputy Administrator—DOT Science Advisor ES-1301-6

The Deputy Administrator assists in the discharge of the Administrator's responsibility with authority to act for the Administrator in all matters not reserved to the Administrator by law, order, or instruction of the Administrator. The Science and Technology Advisor to the Secretary provides the Secretary with an informed counsel on scientific and technical matters and is also Chairman of the DOT Navigation Council.

The two new positions are the Deputy Administrator and the Equal Opportunity Specialist.

Mr. COUGHLIN. Also, please explain the 18 percent increase in travel funding proposed for the Office of the Administrator as reported on page 15.

[The information follows:]

The 18 percent increase in travel funding proposed for the Office of The Administrator reflects the addition of the Deputy Administrator/Chief Scientist to the office staff.

OFFICE OF PROGRAM MANAGEMENT AND ADMINISTRATION

Mr. COUGHLIN. On page nineteen would you explain the reason for the proposed 33 percent cut in travel funds for the Office of Program Management and Administration? Was the fiscal year 1986 level too generous?

Ms. DOUGLASS. That is again an attempt to get honest on this. My understanding is that over time we did do more travel in that office.

The people traveled more with TSC before. We have cut that back, significantly.

In addition to that there was more money for training, such as management training for staff within RSPA, or computer training, and staff training; and travel funds for that were in that budget.

We have cut back on that. We have tried to make better use of Washington, D.C. area training and so we have not needed to use that.

We believe that this amount of money is the amount that we basically need, and that these funds pay for some of the communication and radionavigation travel, and a little bit of other travel.

But the primary use of that travel money is our communication/radionavigation, and they do need to do a little bit, I believe, of foreign travel, because it is an international undertaking.

Mr. COUGHLIN. Thank you for truth in budgeting.

WORKING CAPITAL FUND

Mr. COUGHLIN. Also, on page 19 please explain the $382,000 line item for "working capital fund". Why is this shown as a line item?

[The information follows:]

The Working Capital Fund figure is to fund RSPA's share of such common costs as building management, DOT Library, security, etc. The Working Capital Fund costs for FY 1986 were not approved by OMB and thus were not included in our FY 1986 request. The FY 1986 cost will be absorbed through reprogramming from other areas. The Office of Management and Budget has approved the inclusion of these costs in our FY 1987 budget request.

Mr. COUGHLIN. Please provide for the record a breakdown comparing the funds for working capital activities in other accounts for this office in fiscal years 1985 and 1986 so we can compare it with your $382,000 request for fiscal year 1987.

[The information follows:]

Listed below are the working capital fund activities for fiscal years 1985, 1986 and 1987.

Activity	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Time share	$5,400	$23,000	$23,000
Library	66,100	65,000	65,700
Imprest fund	3,100	2,000	900
Central Employment Information Office	3,000	3,000	3,100
Warehouse	1,400	13,500	13,500
Parking management	3,100	2,500	1,900
Building management	90,100	187,000	215,800
Health and fitness	10,000	1,000	10,200

Activity	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Security/investigations	55,400	50,000	47,900
Total	246,600	356,000	382,000

Mr. COUGHLIN. Why do you require a 10 percent increase in communications and utilities charges for the Office of Program Management, from $200,000 to $220,000?

Ms. DOUGLASS. We are getting a new telephone system and the 10 percent increase is our share of the investment in the new system.

Mr. COUGHLIN. On page twenty why did you move your statistical program from the R&D account to the Office of Program Management's operations account?

Ms. DOUGLASS. Okay. That little program prepares and publishes the National Transportation Statistics Report, and the publication formats are all now fixed, and it is, again, an attempt to get honest. Originally, they had used the R&D money because they were trying to determine the formats.

But those are now done on a regular basis and it is an operational program. So we moved it to operations.

OFFICE OF HAZARDOUS MATERIALS TRANSPORTATION—OPERATIONS

Mr. COUGHLIN. For the Office of Hazardous Materials Transportation you have requested twelve new positions.

Are all of these increases in response to the Secretary's safety task force recommendations we discussed earlier? Basically?

Ms. DOUGLASS. Yes.

HAZARDOUS MATERIALS ENFORCEMENT STRIKE FORCE

Mr. COUGHLIN. Last year, Congress provided you with three additional positions to establish a special hazardous materials enforcement strike force to address high sensitivity enforcement programs that might otherwise not be addressed.

This was first proposed by the administration two years earlier, but not funded until fiscal year 1986. Explain your progress in implementing this concept.

[The information follows:]

One of the three positions was allocated to the enforcement program to augment the inspection of import and export shipments of hazardous materials at U.S. ports and other waterfront facilities. In filling this position, emphasis will be given to a person with experience in inspections in the water mode of transportation or a person with a technical chemical background.

The second position will be allocated to the Chief Counsel's office to provide additional service to the enforcement program. Timeliness in handling of enforcement actions is essential to the operation of an effective program.

Since the concept of states carrying out their own hazardous materials inspection and enforcement programs is being fostered and promoted by RSPA, the third position (and a fourth) will be allocated to the Federal, State, and Private Sector Initiatives Division to provide expertise in offering assistance to the states with respect to their hazardous materials enforcement programs. All positions are expected to be filled by the end of May 1986.

INSPECTOR TRAVEL COSTS

Mr. COUGHLIN. Please update for the record the breakdown of inspector travel costs found on page 659 of last year's hearing record.

Please break out separately hazardous materials and pipeline inspectors.

[The information follows:]

HAZARDOUS MATERIALS—TRAVEL COSTS AND INSPECTOR DAYS

Fiscal year	OHMT inspection costs	Days per month per inspector	MTB/OHMT totals
1983	33,950	4	[1] 263,789
1984	65,715	6	[1] 347,898
1985	60,140	6	[1] 410,721
1986	70,000	7	[2] 140,000
1987	80,000	7	[2] 140,000

[1] Total for MTB travel, which includes both pipeline safety and hazardous materials. Beginning with FY '86, the two programs were separated.
[2] Projected breakdown of OPS Travel Budget as shown in FY 86 and FY 87 submissions.

OFFICE OF PIPELINE SAFETY—TRAVEL COSTS AND INSPECTOR DAYS

Fiscal year	Field	Headquarters		Total cost
	Cost	Days per month	Cost	
1986	177,000	8	25,000	[2] 202,000
1987	177,000	8	25,000	[2] 202,000

[1] Totals for MTB travel, which includes both pipeline safety and hazardous materials. Beginning with FY'86, the two programs were separated.
[2] Projected breakdown of OPS Travel Budget as shown in FY 86 and FY 87 submissions.

FEDERAL/STATE SAFETY INITIATIVES

Mr. COUGHLIN. On page 27 could you explain the 23 percent increase under hazardous materials enforcement for "federal/state safety initiatives", from $163,000 to $201,000?

Ms. DOUGLASS. Well, on that one last year we requested in our fiscal year 1986 budget $200,000, and that year it ended up at $201,000. Under Gramm-Rudman we cut so we are taking that back.

I feel that that is just a key to our whole program and to our uniformity, and to better relationships with the States.

You are getting, I am sure, a lot of letters on routing, and different problems, and I hope that instead of having an adversarial relationship, we can have a much more communicative relationship, and this money will be used on that.

Mr. COUGHLIN. Please provide for the record a breakdown of fiscal years 1985, 1986, and 1987 costs and activities for the "federal/state safety initiatives" line item on page 27.

[The information follows:]

IN FY 86, RSPA committed $163,000 to operate the Federal/state safety initiatives and in FY 87 anticipates expending $201,000 in this program area. This initiative provides a forum to: 1) formalize direct channels of communications between the Federal regulatory agency (RSPA) and the states to enhance uniformity and coordination of the rulemaking process and interpretation of hazardous materials with an awareness of the problems involved in highway, rail, and marine and air

terminal operations, and with guidance on planning for and responding to accidents and incidents involving hazardous materials; and 3) continue meetings between Federal and State personnel to provide opportunities for "networking" which has proved successful in developing a cohesive Federal/State partnership.

STATE HM REGULATIONS

Mr. COUGHLIN. Please update for the record the table of State HM regulations found on pages 663 and 664 of last year's hearing record.

[The information follows:]

STATUS OF FEDERAL HAZARDOUS MATERIALS REGULATIONS
ADOPTED BY STATES OF OF MARCH 1986

STATE		PART 171 General information, regulations, and definitions	PART 172 Hazardous materials table and hazardous materials commications regs.	PART 173 Shippers - general requirements for shipments and packagings	PART 177 Carriers by public highway	PART 178 Shipping container, specifications
ALABAMA	(5)	A	A	A	A	A
ALASKA		A	A	A	A	A
ARIZONA		A	A	A	A	A
ARKANSAS	(3)	A	A	A	A	A
CALIFORNIA		A	A	A	A	A
COLORADO		A	A	A	A	A
CONNECTICUT		A	A	A	A	A
DELAWARE	(1)	A	A	A	A	A
DISTRICT OF COL.		D	D	D	D	D
FLORIDA		A	A	A	A	A
GEORGIA		C	C	C	C	C
HAWAII		A	A	A	A	A
IDAHO		A	A	A	A	A
ILLINOIS	(3)	A	A	A	A	A
INDIANA		A	A	A	A	A

Code: A - Adopted completely
B - Adopted in part
C - Has similar rule
D - Has no rule

(1) Applies to placarded vehicles transporting hazardous materials.
(2) Applicable regulations may vary with State agencies, cargo, carrier, inter-intrastate.
(3) Also applies to transporters of hazardous waste.
(4) Excludes intrastate private carriers.
(5) Excludes private carriers.
(6) Adoption is before the legislature.

STATE	PART 171	PART 172	PART 173	PART 177	PART 178
IOWA	A	A	A	A	A
KANSAS	A	A	A	A	A
KENTUCKY	A	A	A	A	A
LOUISIANA	A	A	A	A	A
MAINE (2)	C	C	C	C	C
MARYLAND	A	A	A	A	A
MASSACHUSETTS	A	A	A	A	A
MICHIGAN	A	A	A	A	A
MINNESOTA	A	A	A	A	
AMISSISSIPPI	A	A	A	A	A
MISSOURI (5)	A	A	A	A	A
MONTANA	A	A	A	A	A
NEBRASKA	C	C	C	C	C
NEVADA	A	A	A	A	A
NEW HAMPSHIRE (1)	A	A	A	A	A
NEW JERSEY (2)	C	C	C	C	C
NEW MEXICO	A	A	A	A	A
NEW YORK	A	A	A	A	A

Code: A - Adopted completely
B - Adopted in part
C - Has similar rule
D - Has no rule

(1) Applies to placarded vehicles transporting hazardous materials.
(2) Applicable regulations may vary with State agencies, cargo, carrier, inter-intrastate.
(3) Also applies to transporters of hazardous waste.
(4) Excludes intrastate private carriers.
(5) Excludes private carriers.
(6) Adoption is before the legislature.

STATE		PART 171	PART 172	PART 173	PART 177	PART 178
NORTH CAROLINA		A	A	A	A	A
NORTH DAKOTA		A	A	A	A	A
OHIO		A	A	A	A	A
OKLAHOMA	(6)	D	D	D	D	D
OREGON		A	A	A	A	A
PENNSYLVANIA		A	A	A	A	A
RHODE ISLAND		A	A	A	A	A
SOUTH CAROLINA		A	A	A	A	A
SOUTH DAKOTA		A	A	A	A	A
TENNESSEE		A	A	A	A	A
TEXAS		B	A	A	A	A
UTAH		A	A	A	A	A
VERMONT	(1)	A	A	A	A	A
VIRGINIA		C	C	C	C	C
WASHINGTON		A	A	A	A	A
WEST VIRGINIA		A	A	A	A	A
WISCONSIN		C	C	C	C	C
WYOMING	(4)	A	A	A	A	A
PUERTO RICO		A	A	A	A	A
VIRGINIA IS.		D	D	D	D	D

Code: A - Adopted completely
B - Adopted in part
C - Has similar rule
D - Has no rule

(1) Applies to placarded vehicles transporting hazardous materials.
(2) Applicable regulations may vary with State agencies, cargo, carrier, inter-intrastate.
(3) Also applies to transporters of hazardous waste.
(4) Excludes intrastate private carriers.
(5) Excludes private carriers.
(6) Adoption is before the legislature.

HM INSPECTIONS

Mr. COUGHLIN. Please update for the record the hazardous materials inspection data found on page 661 of last year's hearing record by adding a 1985 column.

[The information follows:]

HAZARDOUS MATERIALS INSPECTIONS

	1984	1985	Change
Corrugated fiberboard box manufacturers	6	11	+5
Cylinder manufacturers	16	17	+1
Cylinder retesters	20	29	+9
Drum reconditioners	15	11	−4
Exemption holders	26	10	−16
Fiber drum manufacturers	1	0	−1
Independent inspection agencies	1	1	
Joint agency inspections	65	7	−58
Metal container manufacturers	6	20	+14
Other	3	2	−1
Plastic container manufacturers	13	18	+5
Portable tank manufacturers			
Shipment observations:			
General	319	399	+80
RAM	240	58	−182
Shippers:			
General	51	55	+4
RAM	61	60	−1
Total	843	698	−145

HM EMERGENCY RESPONSE GUIDEBOOK

Mr. COUGHLIN. On page 28 you are requesting $544,000 to produce and distribute the Hazardous Materials Emergency Response Guidebook. The last guidebook we have seen was a 1984 version.

Why do these guidebooks require updating so frequently? Do they become outdated faster than they can be produced?

Ms. DOUGLASS. Well, we believe that a three-year cycle is the maximum time we should allow without updating the guidebook, to provide new or changed listings of materials to make improvements in the format, to make changes to the guide pages, and changes for placards.

We feel that three years—it could be two years, it could be five years—but we feel that three years is the best timeframe.

In addition to that the book is paper, and after three years, apparently it starts wearing out.

Mr. COUGHLIN. What is your cost per book for this handbook and do you charge a fee for it?

Ms. DOUGLASS. We do not charge a fee because we distribute this as a public service. We feel very strongly that the communities' police and fire departments need to have this book. They need to have this information. We figure that it costs about a dollar per person, or a dollar per book to distribute it. Several entities do publish it and charge for it.

For example, the American Trucking Association asked us if they could republish this and they have done just a beautiful job.

It is the same exact book, same color, and everything, but it is a little pocket size, and they have republished it, and they are selling it to truckers, which I think is an excellent idea.

And I would not favor charging the police and fire departments. Just as an example, we get lots of letters, and I have one sentence here from Dover, Delaware, the Department of Emergency Planning and Operations.

He says: "This is the first thing we reach for upon arriving at the scene of a chemical cargo accident. We would be lost without it as we depend on it for fighting the fire, evacuation distance, and first aid."

EMERGENCY RESPONSE GUIDEBOOK COSTS

Mr. COUGHLIN. Please provide for the record a detailed breakdown of fiscal years 1985, 1986, and 1987 emergency response guidebook production and publication costs. Please also show the number of books distributed each year.

[The information follows:]

We have spent approximately $713,000 to print ($400,000) and distribute ($313,000) the 1984 Emergency Response Guidebook. RSPA received about 720,000 copies of the 1984 ERG; thus, it has required about $1.00 to print and distribute each Guidebook. We anticipate similar costs when the 1987 Guidebook is printed. We are only asking for $144,000 in FY 87 because we anticipate major postal billings to arrive in FY 88. In the FY 88 budget we shall request additional funds to handle the remaining postal charges.

HM TRAINING

Mr. COUGHLIN. On page 33 you plan to spend $185,000 to fund about half of the costs of hazardous materials training of various governmental employees at TSI in Oklahoma City.

Your justification states that the state share of funding for this training will come from the Federal Highway Administration's motor carrier safety grant program.

There is a general legislative prohibition of using federal funds to match federal funds. How would this prohibition affect the state's ability to use federal MCSAP funds for TSI training?

Ms. DOUGLASS. Well, I just heard that concept the other day. No one has brought that to my attention before, so I am having somebody take a look at it.

However, it could be that this is not a matching grant, in the sense of a formal matching grant. The concept is that RSPA will, pay for half of the training, and the States will pay for half of the training, and if they want to use the MCSAP money to do that, that is fine with us.

I think it is a very good use of the MCSAP money. The Secretary's request is $50 million, I believe, for that program, and to use essentially $185,000 to get their people trained on hazardous materials transportation. That, to me, is a great use of the money, and I really recommend it. But I do want to point out something on that.

Last year you did not allow us to revolve the credit at TSI, and yet, if we cannot revolve the credit then we need double the money that we request.

For example, we requested $165,000 last year. We really need the full $330,000 to do the training that we anticipated but because we did not get the revolving credit, we are not going to train as many people at TSI this year.

We are having to cut back from the planned 1800 back to 1200. So that means that approximately 600—well, about 600 to 700 people out in the States are not going to be trained in hazardous materials transportation, and that concerns me.

If there is a problem with revolving credit, or if there is a philosophical problem with revolving credit, I really want to know that because I will need to redo my budget in the future, to make sure that we have enough money, so that we can provide the training we need to.

But I really do think that revolving credit would be a good thing.

PROPOSED TRAINING FEES LEGISLATION

Mr. COUGHLIN. You have requested authorizing legislation in the fiscal year 1987 appropriation bill to allow you to credit your account directly with the training fees paid by non-federal students.

Why do you need this legislation and how much is it worth to you in fiscal year 1987?

[The information follows:]

RSPA needs legislation authorizing the use of tuitions collected. Without this authority, any tuition collected may not be used to fund the program. These funds would be returned to the Treasury. In fiscal year 1985, the appropriation act provided authorization to collect and use tuition. In fiscal year 1986, the authorization was not contained in the appropriation act.

As established in the fiscal year 1985 process, 50% of the cost ($185,000) of providing hazardous materials training is to be borne from tuition collected from those attending the training. The $185,000 requested for FY-1987, combined with the authority to use matching tuition, will fund the program at the $370,000 level. In FY-87 training will be provided to 380 federal employees and 1,500 State and local government employees. In FY 1986 RSPA will be able to train only 1,200 persons (approximately) because it did not receive authority to apply tuition fees to operation of TSI program.

TRAINING FEES

Mr. COUGHLIN. Please provide for the record a breakdown of the fees you would expect to collect by means of the legislative provision you have proposed.

[The information follows:]

The fees that we anticipate collecting in FY 1987, as a result of the legislative provision we have proposed, is $185,000. The estimate of these fees contains $106,000 from State/Local and Government sources and $79,000 from private industry.

HM TRAINING COURSES AND ATTENDANCE

Mr. COUGHLIN. Please also provide for the record a breakdown of hazardous materials training courses, classes and students for fiscal years 1985, 1986, and 1987 similar to the data presented on page 33 of your budget justification.

[The information follows:]

Courses	Course hours	[1] 1985		[1] 1986		[1] 1987	
		Classes	Students	Classes	Students	Classes	Students
Haz Mat compliance and enforcement	40	16	473	13	520	25	1,000
Cargo tank roadside inspection	26	8	308	8	200	10	200
Cargo tank compliance and enforcement	30	6	169	2	80	5	200
Haz Mat Train-the-Trainer	72	1	25	2	40	4	80
In-Depth radioactive materials	32	4	81	1	35	4	80
Haz Mat military	40	3	116	8	320	8	320
Intermodal Haz Mat for industry	40	2	65	1	25		
Totals	280	40	1,237	35	1,220	56	1,880

[1] Fiscal year.

OFFICE OF PIPELINE SAFETY—OPERATIONS

NATURAL GAS PIPELINE REGULATIONS

Mr. COUGHLIN. Please update for the record the chart on the status of natural gas pipelines regulations found on pages 666 and 667 of last year's hearing record.

[The information follows:]

STATUS OF FEDERAL NATURAL GAS PIPELINE REGULATIONS ADOPTED BY STATES AS OF MARCH 6, 1986

A—Adopted completely.
B—Adopted in part.
C—Has similar (more stringent) regulations.
D—Has no role, but inspects as agent for Federal Program (5b).
E—Does not participate in program.

State	Part 192	State	Part 192
Alabama	A	Nebraska	A
Alaska	E	Nevada	A
Arizona	A	New Hampshire	C
Arkansas	A	New Jersey	D
California (PSC)	C	New Mexico	A
Colorado	A	New York	C
Connecticut	A	North Carolina	C
Delaware	D	North Dakota	A
Florida (FM)	A	Ohio	A
Florida (PSC)	C	Oklahoma	A
Georgia	A	Oregon	A
Hawaii	A	Pennsylvania	A
Idaho	E	Rhode Island	A
Illinois	A	South Carolina	A
Indiana	A	South Dakota	E
Iowa	A	Tennessee	A
Kansas	A	Texas	A
Kentucky	C	Utah	A
Louisiana	A	Vermont	A
Maine	A	Virginia	A
Maryland	C	Washington	A
Massachusetts	D	West Virginia	A
Michigan	A	Wisconsin	A
Minnesota	A	Wyoming	A
Mississippi	A	District of Columbia	A
Missouri	A	Puerto Rico	A
Montana	A		

HAZARDOUS LIQUID PIPELINE REGULATIONS

Mr. COUGHLIN. Please also provide a similar table for hazardous liquid pipeline regulations.

[The information follows:]

STATUS OF FEDERAL INTRASTATE HAZARDOUS LIQUID PIPELINE REGULATIONS ADOPTED BY STATES AS OF MARCH 6, 1986

A—Adopted completely.
B—Adopted in part.
C—Has similar (more stringent) regulations.
D—Has no role, but inspects as agent for Federal Program (205b).
E—Does not participate in program.

State	Part 195	State	Part 195
Alabama	E	Nebraska	E
Alaska	E	Nevada	E
Arizona	A	New Hampshire	E
Arkansas	E	New Jersey	E
California (FM)	C	New Mexico	E
Colorado	E	New York	E
Connecticut	E	North Carolina	E
Delaware	E	North Dakota	E
Florida (PSC)	E	Ohio	E
Florida (FM)	E	Oklahoma	A
Georgia	E	Oregon	E
Hawaii	E	Pennsylvania	E
Idaho	E	Rhode Island	E
Illinois	E	South Carolina	E
Indiana	E	South Dakota	E
Iowa	E	Tennessee	E
Kansas	E	Texas	A
Kentucky	E	Utah	E
Louisiana	E	Vermont	E
Maine	E	Virginia	E
Maryland	E	Washington	E
Massachusetts	E	West Virginia	A
Michigan	E	Wisconsin	E
Minnesota	E	Wyoming	E
Mississippi	A	District of Columbia	E
Missouri	E	Puerto Rico	E
Montana	E		

PIPELINE SAFETY AND COMPLIANCE

Mr. COUGHLIN. Please also update for the record the pipeline safety compliance and enforcement data found on pages 667 and 668 of last year's hearing record.

[The information follows:]

The pipeline safety compliance and enforcement data has been updated to show 1984 and 1985 data. A column for 1986 and 1987 can not be added at this time since the data for 1986 activities would reflect current data which is incomplete at this time.

PIPELINE SAFETY COMPLIANCE AND ENFORCEMENT DATA FOR 1984 AND 1985

	1984	1985
Inspection activity:		
1. Interstate gas pipeline operators	72	89
2. Intrastate gas pipeline operators	181	140
3. Hazardous liquid pipeline system	98	85
4. State evaluation (48 state agencies evaluated)	48	48
Enforcement activity:		
1. Enforcement cases initiated:		
Gas	39	34
Liquid	6	15
2. Warning letters issued:		
Gas	69	85
Liquid	29	20
3 Enforcement cases closed without penalty:		
Gas	31	37
Liquid	1	5
4. Civil penalty collection:		
Gas:		
Penalties assessed	[1] 4	7
Amount	$4,750	$11,500
Penalties collected	4	8
Amount	[2] $4,000	$28,000
Liquid:		
Penalties assessed	1	1
Amount	$2,000	$500
Penalties collected	1	3
Amount	$2,000	$28,500

[1] One of the four assessments was a preliminary assessment made in 1983 that was collected before further action was taken. One assessment was made in 1983.
[2] The assessment was a preliminary assessment that was collected before further action was taken.

OFFICE OF AVIATION INFORMATION MANAGEMENT

Mr. COUGHLIN. On page 52 you propose decreasing the aviation information management office by 15 positions, from 25 to ten. Could you explain the reason for this reduction?

Ms. DOUGLASS. Yes. That office performs two functions. It came over from the CAB, and one function is to do the regulations on what aviation information needs to be collected.

They have a rule right now in process on Form 41 that collects the financial data. We tell the air carriers what kind of data they need to submit to the Department of Transportation. So that is one function, regulatory. The other function is, Robin's staff actually collects the data, and puts it into the computer.

When an office, such as the Secretary's Office, needs it for international negotiation purposes, Robin's office processes that data, analyzes it, and sends it up to the Secretary's Office.

That program, you all, last year, thought we could take a look at possibly contracting that out. Perhaps that it did not need to be a governmental function.

So we decided, we made a decision, based on last year's appropriation, and in combination with our own analysis, decided that it would be best to just essentially contract out that whole function. Well, the way we decided to do that, and the way that makes the most sense to us right now, is to send it up to Lou's group in Cambridge.

That is how the fifteen people will go up to TSC, and of course by April 1987, that will be a private function.

AVIATION INFORMATION USER FEES

Mr. COUGHLIN. Please provide for the record a detailed explanation of your plans and activities to date to implement aviation information user fees and to contract out certain AIM functions.

[The information follows:]

The collection of user fees is intended to offset the cost of aviation information data collection, processing and dissemination functions. The plan is intended to pass on these costs to both Federal and non-Federal parties who directly benefit from the program's products and services. Only non-regulatory functions are being considered for cost recovery. Our plan continues the regulatory economic aviation information functions under appropriated funding.

The aviation data collected is only that which is required by the Department to fulfill its program responsibilities under the law, as allowed by the Paperwork Reduction Act of 1980. However, the data we collect is also of value to other Federal agencies as well as to non-Federal users. We estimate that DOT use is about 60%, use by other Federal agencies is about 10%, and industry and researchers account for about 30%. The system of user charges being developed will generally align with this user percentage distribution.

The user fees collected will be applied to offset the costs of the functions "contracted out" to TSC. The charges will apply to both Federal and non-Federal users, including air carriers. We see no relationship between these fees and an air carriers obligation to submit reports to the Department. We collect only that data needed by DOT to carry out our program responsibilities under the law. As a result, any noncompliance for whatever reason will be dealt with. This may include the use of civil penalties, as provided in the Federal Aviation Act of 1958 and the Civil Aeronautics Board Sunset Act of 1984.

1986 AIM COSTS

Mr. COUGHLIN. Please also provide for the record a breakdown of the fiscal year 1986 AIM costs to support the essential air service program, and also provide an estimate of fiscal year 1987 costs if the EAS program were to be continued.

[The information follows:]

All of the aviation information systems currently maintained are used by a variety of DOT programs, not just essential air service. FAA uses the data for its responsibilities under law including aviation safety, airport improvement fund allocation, airport policy, airways and airport facilities planning, and so forth. OST uses the data for its responsibilities under the law such as air carrier fitness, international air transportation, acquisitions and mergers, Alaskan mail rates, consumer assistance, industry monitoring, and essential air service.

As a result of the multiple use of aviation information systems that has evolved, there is no data collection that only supports the essential air service program. Further, it is not possible to precisely associate costs with any one program. Continuation or elimination of one program does not affect the need for the AIM program's current or proposed staffing level, which is viewed as the minimum level necessary to maintain viable aviation information systems.

If the essential air service were to be continued in FY 1987, it is estimated that one additional position and approximately $65,000 in additional PC&B funds would be needed. This position would handle essential air service rules, such as the one needed to clarify record retention requirements to help verify subsidy needs, and to enforce more timely and accurate reporting by carriers involved in the essential air service program.

RESEARCH AND DEVELOPMENT ACCOMPLISHMENTS

Mr. COUGHLIN. Please provide for the record an explanation of specific fiscal year 1985 accomplishments, and fiscal years 1986 and 1987 planned accomplishments for the following research projects:

Develop new and validate existing automated data systems to support HM regulatory activities.

Develop methodologies for analyzing costs, risks, and impacts of planned/proposed regulatory activities.

Evaluate integrity and operation of bulk and high risk HM packaging.

Develop, evaluate and perform hazardous class definition testing on hazardous materials.

Develop new and validate or integrate existing automated data systems to support pipeline regulatory activities.

Conduct LNG spill tests.

Reevaluate safety requirements of highly volatile liquid pipelines.

Multi-modal radionavigation planning.

GPS systems integration.

Evaluation mixes of current systems.

[The information follows:]

a. Major accomplishments for the HMIS in FY 1985 included error correcting software for the data entry process, expansion of the data bases to include narrative information on serious incidents, and software improvement to track radioactive materials and other commodity flaws. For FY 86 and FY 87, new computer equipment will be installed, and regulatory changes currently under review will significantly alter the reporting requirements and associated data bases within the Hazardous Materials Information System (HMIS). These changes will require that software for data entry, editing, error detection, correction, and validation be developed or modified. A subsystem to merge existing and newer data bases to maintain system continuity will also be developed. This effort is likely to continue beyond FY 87.

b. Major accomplishments in support of regulatory activities in FY 85 include an analysis of the costs and benefits associated with including hazardous substances within the hazardous materials regulations, an examination of hazardous materials commodity flow by truck, and preliminary work on the effect of retrofit regulations on rail car safety. For FY 86 and FY 87, work will continue on efforts to characterize the transportation of hazardous materials by truck and rail, including quantitative information on commodity flows, routes, hazards and container performance.

Research in support of current rulemaking projects will also continue. Current efforts include an evaluation of the safety performance of rail tank cars in support of Dockets HM-144, 174 and 175.

Finally, the Nuclear Waste Policy Act (NWPA) of 1982 imposed a number of requirements on DOT to assist NRC, DOE, the states, and others, in the national programs for dealing with spent nuclear fuel and other nuclear wastes. Efforts will continue to study the capability and feasibility of the transportation industry to meet the potential transportation needs that will arise from implementation of the Act. These capabilities will continue and may increase as the repository program develops.

During 1985 the RSPA and BMCS continued, completed, or initiated various phases of a comprehensive long-term research project evaluating the integrity of cargo tanks. A 27 month study of "Integrity of MC 307/312 Cargo Tanks" was completed. This project evaluated fabrication, carrier, and shipper practices; performed inspection and testing; and was the subject of an industry conference. A number of recommendations evolved from this research, including: maintenance, record keeping, and inspection improvements; additional tank requalification procedures requiring the removal and test of safety relief valves; additional testing when a tank is in corrosive product services; specific qualification criteria for nondestructive examination personnel; and tank requalification by an authorized inspection agency. Corrosion resistance of these tanks is the subject of the next phase of this comprehensive cargo tank study. Begun in 1984 and continued in 1985, this study is assessing the extent and rate of corrosion deterioration in existing cargo tanks, evaluating detection and monitoring techniques and exploring various preventative measures for controlling corrosion.

A 20 month study of "Liquid Cargo Shifting and the Stability of Cargo Tanks Trucks" was completed in 1985. This project evaluated the sloshing effects of fluids in cargo containers on the safety of cargo tanks, including accident experience, industry hauling practices, the design of cargo tanks, approvals toward mitigating sloshing and vehicle response to internal liquid sloshing. The study also investigated the regulatory restraints on cargo tank design and operation used in other nations throughout the world. Further, the study discusses potential U.S. regulations covering fluid slosh and the stability of cargo tanks. The study recommends an operational control on allowable fill levels in cargo tanks and a basic roll stability requirement for all cargo tanks used to transport hazardous materials.

A study to assess the structural adequacy of cargo tanks in collision and overturn accidents was initiated in late FY 1985 and should be completed in FY 86. The objective of this study is to identify the four most likely collision or overturn accident scenarios and, for each scenario, to evaluate the location and magnitude of impact loads.

A study titled Evaluation of Toxicity Hazardous in Transportation was initiated in 1985. This study is a critical evaluation of DOT's current definition, classification criteria, and packaging for poisonous materials. The results from the first phase of this study indicates a critical need to develop improved standards particularly for bulk packagings. RSPA plans to initiate in FY 86 an estimated 18 month study to accomplish this development.

A hazard analysis of runaway chemical reactions in transportation was initiated in 1985. This study is an evaluation of the hazards associated with the transport of chemicals that have a serious runaway reaction risk which can result in a rapid rise in temperature and pressure, package rupture, and sometimes explosion. Further, DOT's current definition, classification criteria, and packaging criteria for these materials are being critically evaluated. The results from the first phase of this study indicate a need to develop improved classification criteria, classification test methods and performance criteria for bulk packagings. This effort has tentatively been scheduled for FY 87.

Small scale tests on "Special Fireworks" were conducted to evaluate whether "Special Fireworks" are properly classed as Class B explosives. Test results indicate they are properly classed. These test results were used as the basis of actions taken by OHMT to deal with a petition for rulemaking and an exemption application regarding "Special Fireworks".

A study on "Evaluation of Toxicity Hazards in Transportation" was initiated and the first phase of the study was completed. This study is a critical evaluation of DOT's current definition, classification criteria, and packaging requirements for poisonous material.
(See Answer to c).

Work continued on the development of test methods and criteria for various types of flammable solids, the results of the first phase of this project indicated a general applicability of the proposed test methods with some modifications.

Also initiated in 1985, was an evaluation of the UN test methods and criteria for classification of new explosives and an assessment of their impact on DOT's regulation of commercial explosives.

Each of the preceding studies should be completed during FY 86 and FY 87.
In FY 1986 a study to develop test methods and criteria for assessing the hazard properties of organic peroxides and to establish requirements for packagings (both in terms of type of packaging and size of package) began. This study, which will carry into fiscal year 1987, is being performed in conjunction with the work of the "UN Organic Peroxides Working Group" to establish an internationally acceptable evaluation & testing system for organic peroxides.

A study to develop classification criteria for Compressed gases, (including toxic, flammable and non-flammable) is planned for FY 1987.

In 1985, RSPA undertook a study of the pipeline safety automated data system with the objective of achieving more effectiveness from the system. The starting point was a review of the needs of RSPA's pipeline safety staff for unprocessed and processed data, the needs of other DOT organizational elements, and the needs of non-DOT entities. The later category includes Congress, the executive branch, State and local governments, and Freedom of Information Act requests. The review includes an indepth look at completeness, accuracy and timeliness of the date, as well as the automation of, access to, and storage-processing-retrieval of the data. A final element being studied is current subject-specific use of the data in regulatory and other analytical efforts. An appendix to the report will be a Pipeline Safety Data Analysis Plan which will set forth in prioritized format the tasks and schedules which RSPA will undertake in FY 1986 and FY 1987. The plan will incorporate the existing ADP capability and is dependent on rulemaking, enforcement, research and training requirements.

If the review undertaken in FY 1985 concludes that new or revised data and/or data processing methods are needed, the changes will be sought in FY 1987.

In FY-85, RSPA's Office of Pipeline Safety (OPS) designed and specified necessary additional facilities and a detailed test program for large scale LNG spill field trials to be performed at the Department of Energy's (DOE) national test facility in Frenchman's Flats, Nevada. OPS will be the first to use this new test facility. During FY-85, OPS initiated and executed an Interagency Agreement with DOE for this testing and negotiated for cooperative funding by the Gas Research Institute (GRI). Estimated total project cost equals $1,365,000 with RSPA providing $400,000 for test specific construction, set up of sensors and instrumentation and test preparations. Co-funding by GRI will amount to over $900,000. Also, DOE has agreed to dedicate approximately $350,000, to provide additional LNG test data.

Construction of OPS-designed test specific facilities was begun in early FY-86. Completion is scheduled for May 1986 in order that spill testing can be performed during the best test window, June-July 1986. A hard copy draft data report and an analysis report will be ready for OPS analytical review and modification by October 1987 and July 1988, respectively. Respective final reports are anticipated by March and November of 1988.

These LNG spill field trials are only one phase (Phase 5) of an integrated and coordinated six phase R&D program initiated by OPS in 1983 and subsequently joined in co-sponorship under a Memorandum of Understanding by GRI. The program is designed to develop well verified definitive methodologies for regulatory application of physical simulation used independently or conjunctively with a select mathematical model to predict the downwind travel of flammable LNG vapor (dispersion distance). Phase 5, the spill tests, will provide a comprehensive set of data for validation and broad technical acceptance of the methodologies when applied to the nonisothermal vapor from LNG.

Phase 1, 2 and 3, which provide a wide range of comparative information on dispersion of heavy isothermal gas for developing the methodologies, are either completed or nearly so. Broad specifications for development of the methodologies (Phases 4) and of the analytical approach for verifying the methodologies using Phase 5 results (Phase 6) were drawn up by OPS in FY-85. Detail specifications will be developed for Phase 4 in FY-86 and for Phase 6 in FY-86-87.

The Office of Pipeline Safety has initiated a program of research which has focussed on a number of technological issues associated with HVL pipelines as well as gas pipelines. These areas of research are:

1. Developement of a girthweld defect acceptance standard.
2. Assessment of the yield/tensile ratio as a measure of toughness and ductility of steels for line pipe transporting natural gas and HVL.
3. Stress corrosion cracking of line pipe steels (including sulfide stress cracking, SSC, and stress corrosion cracking near compressor discharge stations, SCC).
4. Assessment of cathodic protection criteria.

In fiscal year 1985 the API 1104 Appendix A criteria were reviewed and a report entitled, "An Evaluation of Girthweld Defect Acceptance Criteria" was completed in June of 1985. During fiscal 1986 and 1987 shortcomings in the API 1104 Appendix A previously indentified will be corrected while efforts to develop a more rigorous defect acceptance standard based on elastic plastic fracture models will continue.

During FY 86 and FY 87 the relationship between yield/tensile ratio and static and dynamic fracture toughness will be assessed. The mechanisms of sulfide stress cracking in line pipe carrying trace amounts of hydrogen sulfide will be examined and the crack growth behavior of prior cold worked pipe in compressor discharge regions will be assessed. Corrosion protection and the existing cathodic protection criteria will be assessed in FY 86 and FY 87 to determine the adequacy of corrosion control and monitoring techniques and the regulations associated with these criteria.

Telecommunications

-- Multimodal Radionavigation Planning

FY 1985 Accomplishments: Printed and distributed the 1984 edition of the Federal Radionavigation Plan. Started revision of the DOT economic model to take advantage of developments in computer technology and reduce the cost of operating the model. Started planning and preparation for radionavigation user conferences. Prepared a multi-year Telecommunications Plan.

FY 1986 Planned Accomplishments: Scheduled radionavigation systems user conferences (two held to date, three more scheduled) to solicit user opinions on the preliminary to date recommendation on the Future Mix of Radionavigation Systems. Meeting with DOD Positioning Navigation Working Group to update the recommendation on the Future Mix of Radionavigation Systems. Working with DOD to simplify the format of the Federal Radionavigation Plan (FRP) thus making it easier for the user to extract information from it. Updating information in the FRP before publishing the 1986 edition.

FY 1987 Planned Accomplishments: Print and distribute the 1986 FRP. Evaluate the ability of commercial radionavigation systems to form a part of the total mix of radionavigation systems. Review status of GPS satellite launches via Space shuttle or an alternate expendable launch vehicle to determine its impact on future radionavigation planning.

-- GPS Integration

FY 1985 Accomplishments: Began developing algorithms for a Differential GPS System. Conducted land tests of the GPS system in the Boston environment. Continued efforts on development of a Differential GPS Specification through Radio Technical Commission for Maritime Services (RTCM). Conducted a theoretical study to determine what the effects of selective availability could be on user equipment under various conditions.

FY 1986 Planned Accomplishments: Complete development of algorithms for Differential GPS system. Complete Differential GPS Specification through RTCM. Develop a prototype Differential GPS station. Publish results of Boston area GPS land tests.

FY 1987 Planned Accomplishments: Test the prototype Differential GPS Station to determine the accuracy available and the area of coverage obtained to answer questions about land and marine use of a differential system. Review the status of development and cost of civil GPS receivers to determine if they are competitive with LORAN-C thereby encouraging users to transition to GPS.

-- Evaluate Mixes of current systems

FY 1985 Accomplishments: Conducted analyses to determine the benefits of the mid-continent LORAN-C expansion particularly, for the land user systems.

FY 1986 Planned Accomplishments: Monitor international radionavigation planning and system developments. Investigate the impact of international radionavigation systems on U. S. radionavigaton planning. Review the status of commercial radionavigation systems and evaluate their ability to form a part of the radionavigation systems mix.

FY 1987 Currently not funded

PIPELINE SAFETY GRANT PROGRAMS

Mr. COUGHLIN. On page 72 you propose to merge the previously funded natural gas pipeline grant program and the authorized but never funded hazardous liquid pipeline grant program.

You would fund this combined program at $4.5 million, the same level as the natural gas pipeline program was funded last year, before the Gramm-Rudman reduction.

Why do you propose merging these two programs, and can it be accomplished without additional authorizing legislation?

Ms. DOUGLASS. No, I do not think it can be accomplished without authorizing legislation. In the law right now, there is a Natural Gas Pipeline Safety Act. You all, you know, appropriated money for that.

I do not see that we can go ahead and merge the program, merge that grant program, without a change in the law.

Yes, I do think $4.5 million is adequate to fund both, a merged program.

Mr. COUGHLIN. Please expand on your answer for the record.

[The information follows:]

RSPA believes that such a merger will give States increased flexibility by allowing a State to direct pipeline safety dollars to those pipelines which warrant attention, whether oil or natural gas. Therefore, if a State determines that the natural gas pipelines represent the primary pipeline concern in the State, it can spend its entire allocation in this regard. On the other hand, if it chooses to allocate dollars to oil pipelines, it is free to do so. We believe that the $4.5 million requested will assure a Federal/State pipeline safety program that achieves the purposes of the Pipeline Safety Acts and enables us to meet the wishes of Congress. It will also best serve our administrative needs by providing a unified approach to the operation of substantially identical programs.

PIPELINE SAFETY GRANT PROJECTIONS

Mr. COUGHLIN. How would the grant funds be distributed under a combined program?

[The information follows:]

The following chart shows the allocation by State of natural gas pipeline grants for State program funding for Calendar Year 1986. Calendar Year 1987 projection of State levels is expected to be the first year for a merged program. This projection cannot be made with any degree of accuracy until each State submits their program cost estimate and other related data later in 1986.

1986 PIPELINE SAFETY GRANT ALLOCATIONS REDUCED BY 4.3 PERCENT

State	Request	Allocation	Percent of funding
AL	$293,848	$139,971	23
AZ	253,505	122,967	24
AR	85,744	82,057	47
CA	304,150	118,774	19
CO	74,921	71,699	47
CT	93,500	89,479	47
DE	12,553	12,013	47
FL	57,100	54,644	47
GA	106,800	102,207	47
HI	7,562	7,236	47
IL	179,300	130,997	36
IN	78,075	74,717	47
IA	74,125	70,937	47

1986 PIPELINE SAFETY GRANT ALLOCATIONS REDUCED BY 4.3 PERCENT—Continued

State	Request	Allocation	Percent of funding
KS	108,867	96,025	44
KY	394,514	160,458	20
LA	463,200	179,472	19
ME	13,475	12,895	47
MD	41,630	39,839	47
MA	149,000	114,214	38
MI	115,000	110,055	47
MN	79,585	76,162	47
MS	97,352	93,165	47
MO	160,015	120,111	37
MT	44,220	42,318	47
NE	58,973	56,437	47
NV	26,699	25,550	47
NH	33,244	31,814	47
NJ	180,622	109,722	30
NM	115,950	110,964	47
NY	980,250	322,043	16
NC	107,810	103,174	47
ND	22,806	21,825	47
OH	200,045	129,575	32
OK	92,750	88,761	47
OR	48,045	45,979	47
PA	199,170	121,945	30
RI	61,082	58,455	47
TN	154,968	126,787	40
TX	573,638	213,048	18
UT	44,935	43,002	47
VT	39,594	37,891	47
VA	93,540	84,431	45
WA	42,000	40,194	47
WV	155,907	122,621	39
WI	121,000	100,095	41
WY	126,807	114,707	45
DC	34,594	33,106	47
PR	13,823	13,228	47
Total	6,816,293	4,277,790	31

Note: The request represents 50 percent of the State's estimated budget. The "percent of funding" is the percentage of the budget represented by the allocation.

STATE PIPELINE SAFETY PROGRAM COSTS

Mr. COUGHLIN. What percent of the states estimated pipeline safety program costs would a $4.5 million level cover?

[The information follows:]

The percentage of the States estimated pipeline safety program costs which would be covered by the $4.5 million level of grant funding will range from 17 percent to 50 percent with the average being 32 percent.

PIPELINE SAFETY GRANT ALLOCATIONS

Mr. COUGHLIN. Please update the pipeline safety grant allocation table on page 670 of last year's hearing record.

[The information follows:]

ESTIMATED 1987 PIPELINE SAFETY GRANT ALLOCATIONS

State	Request	Allocation	Percent of funding
AL	$293,848	$146,261	24
AZ	253,505	128,493	25
AR	85,744	85,744	50
CA	304,150	124,111	20
CO	74,921	74,921	50
CT	93,500	93,500	50
DE	12,553	12,553	50
FL	57,100	57,100	50
GA	106,800	106,800	50
HI	7,562	7,562	50
IL	179,300	136,883	38
IN	78,075	78,075	50
IA	74,125	74,125	50
KS	108,867	100,340	46
KY	394,514	167,668	21
LA	463,200	187,537	20
ME	13,475	13,475	50
MD	41,630	41,630	50
MA	149,000	119,346	40
MI	115,000	115,000	50
MN	79,585	79,585	50
MS	97,352	97,352	50
MO	160,015	125,508	39
MT	44,220	44,220	50
NE	58,973	58,973	50
NV	26,699	26,699	50
NH	33,244	33,244	50
NJ	180,622	114,653	31
NM	115,950	115,950	50
NY	980,250	336,514	17
NC	107,810	107,810	50
ND	22,806	22,806	50
OH	200,045	135,398	33
OK	92,750	92,750	50
OR	48,045	48,045	50
PA	199,170	127,425	31
RI	61,082	61,082	50
TN	154,968	132,484	42
TX	573,638	222,621	19
UT	44,935	44,935	50
VT	39,594	39,594	50
VA	93,540	88,225	47
WA	42,000	42,000	50
WV	155,907	128,131	41
WI	121,000	104,593	43
WY	126,807	119,862	47
DC	34,594	34,594	50
PR	13,823	13,823	50
Total	$6,816,293	$4,500,000	32

Note: The request represents 50 percent of the State's estimated budget. The percent of funding is the percentage of the budget represented by the allocation.

PIPELINE GRANTS—STATE REIMBURSEMENTS

Mr. COUGHLIN. Please also provide for the record an update of the grant reimbursement data found on pages 671 and 672 of last year's hearing record.

[The information follows:]

STATE REIMBURSEMENTS FROM PIPELINE SAFETY GRANTS

	Appropriate (thousands)	Number States participating	Percentage
Fiscal year:			
1971	$500	27	50
1972	750	35	50
1973	875	35	50
1974	1,175	38	50
1975	1,158	39	50
1976	1,650	43	50
1977	2,250	45	50
1978	2,400	46	50
1979	2,820	47	50
1980	2,820	48	50
1981[1]	3,082	49	50
1982[2]	2,434	50	25–35
1983[3]	3,500	49	34
1984[4]	3,500	49	32
1985[5]	4,500	48	31

[1] In fiscal year 1981, 49 States participated, 47 were reimbursed at 50 percent. Two States, Texas and New York, were reimbursed at 24 percent due to budget constraints.

[2] In fiscal year 1982, 50 States participated with 38 States receiving reimbursement from 25 to 35 percent and 13 States were reimbursed from 10 to 24 percent due to budget constraints.

[3] In fiscal year 1983, 17 States received 50 percent funding, 24 States received 35 to 49 percent funding, 6 States received 20 to 34 percent funding and 2 States received less than 20 percent funding.

[4] With 49 participating States agencies, the Federal reimbursement has varied between 17 and 48 percent.

[5] With 48 participating State agencies, the Federal reimbursement varied between 17 and 50 percent. 26 State agencies received 50 percent funding, 13 State agencies received 35 to 49 percent funding, 6 State agencies received 20 to 34 percent funding and 3 State agencies received less than 20 percent funding.

INSPECTION DATA

Mr. COUGHLIN. Please also update for the record the inspection productivity data found on page 672 of last year's hearing record by adding a 1985 column.

[The information follows:]

INSPECTION STATISTICS

	1984		1985	
	Federal	State	Federal	State
Person years spent on inspections	6.0	173	7.0	[1] 173
Inspections performed	360	[2] 3,615	317	[2] 3,766
Average number of inspection per inspector	23	21	19	22
Enforcement actions:				
Actual	143	3,625	154	3,912
By inspection year	18	21	22	23
Noncompliance:				
Actual		17,809		16,018
Per inspection year		103		93

[1] This number is the person-years devoted to the program by "Technical" personnel as reported on "Personnel" page of agency annual certification attachment.

[2] Represents "number of operators inspected" during the year (not inspection units).

STATE PIPELINE SAFETY ENFORCEMENT ACTIVITY

Mr. COUGHLIN. Please also update for the record the state pipeline safety personnel, enforcement and inspection tables found on pages 673 through 675 of last year's hearing record.

[The information follows:]

STATE ENFORCEMENT ACTIVITY 1985

p.142a

STATE * acts as interstate ent	ENFORCEMENT ACTIONS	PENALTIES ASSESSED NO.·AMOUNT	PENALTIES COLLECTED NO.·AMOUNT	NONCOMPLIANCES REFERRED TO DOT (5B OR INTERSTATE)
AL PSC	115	1:400	0:0	0
AZ CC	630	1:1300	0:0	0
AR PSC	1	0:0	0:0	0
CA PUC	130	0:0	0:0	0
CO PUC	26	0:0	0·0	0
CT DPUC *	12	0·0	0:0	2
DE PSC	0	0:0	0:0	3
FL PSC	26	0·0	0:0	0
FL STIC	2	1·1000	1:1000	0
GA PSC	30	0:0	0:0	0
HI PUC	0	0:0	0:0	0
IL CC	48	0:0	0:0	0
IN PSC	2	0:0	0:0	0
IA CC *	21	1:1000	1:1000	11
KS CC	70	1:45000	1:45000	0
KY PSC *	45	0:0	0:0	0
LA DNR	168	0:0	0:0	0
ME PUC	0	0:0	0:0	0
MD PSC	8	0:0	0:0	0
MA DPU	0	0:0	0:0	90
MI PSC *	16	0:0	0:0	1
MN SFM	0	0:0	0:0	0
MS PSC	14	0:0	0:0	0
MO PSC	86	1:2000	0:0	0
M PSC	1	0:0	0:0	0
NE SFM	0	0:0	0:0	0
NV PSC *	52	0:0	0:0	3
NH PUC	0	0:0	0:0	0
NJ BPU	0	0:0	0:0	11
NM SCC	163	11:20900	9:3450	0
NY PSC	25	0:0	2:50000	2
NC UC	33	0:0	0:0	0
ND PSC	10	0:0	0·0	0
OH PUC *	17	0·0	0·0	0
OK CC	20	0·0	0:0	0
OR PUC	18	0:0	0:0	0
PA PUC	75	1:350	1:350	1
RI PUC *	38	0:0	0:0	0
SC PSC	183	0:0	0:0	0
TN PSC	72	0:0	0:0	0
TX RC	1525	0:0	0:0	0
UT DBR *	73	0:0	0:0	0
VT DPS	82	0:0	0:0	0
VA SCC	25	0:0	0:0	0
WA UTC *	0	0:0	0:0	1
WV PSC *	15	0:0	0:0	7
WI PSC	0	0:0	0:0	0
WY PSC *	25	0:0	0:0	3
D SC	10	0:0	0:0	0
PR PSC	0	0:0	0:0	0
TOTAL	3912	18:71950	15:100800	135

*

STATE INSPECTION ACTIVITY 1985

p.142b

STATE * acts as interstate agent	NUMBER OPERATORS	INSPECTION PERSONDAYS	OPERATORS INSPECTED	NONCOMPLIANCES FOUND	NONCOMPLIANCES CORRECTED IN 1985 +includes corrections from 1984 or earlier	NONCOMPLIANCES TO CHECK IN 1986
AL PSC	252	936	252	219	105	114
AZ CC	3012	506	396	2125	1325	800
AR PSC	502	249	85	188	177	27
CA PUC	6	340	6	130	130	0
CO PUC	119	85	67	28	21	7
CT DPUC *	9	228	6	14	7	7
DE PSC	17	80	17	3	2	4+
FL PSC	69	468	69	69	16	10
FL STIC	101	169	99	190	140	50
GA PSC	108	400	75	30	23	7
HI PUC	1	75	1	1	1+	1
IL CC	124	610	124	54	69+	23
IN PSC	101	272	101	32	33+	1+
IA CC *	58	495	58	169	80	95+
KS CC	106	419	106	382	230	152
KY PSC *	43	287	39	172	120	54
LA DNR	352	1194	352	655	452+	250
ME PUC	2	25	2	9	7	2
MD PSC	13	79	13	8	10+	4
MA DPU	14	500	14	90	169	57
MI PSC *	57	328	55	16	22+	0
MN SFM	29	217	23	86	41	45
PSC	166	581	118	199	138	61
MO PSC	46	429	46	209	244+	8
MT PSC	14	118	7	1	1	0
NE SFM	26	305	26	17	11	6
NV PSC *	4	71	4	59	41	11
NH PUC	7	56	7	0	0	0
NJ BPU	4	303	4	11	10	1
NM SCC	268	319	209	319	233+	177
NY PSC	65	3130	29	419	419	0
NC UC	51	358	37	107	112+	29
ND PSC	9	40	9	46	40	6
OH PUC *	537	769	205	51	27	24
OK CC	100	255	53	169	169	0
OR PUC	12	79	12	44	57+	6+
PA PUC	44	1085	41	75	72	3
RI PUC *	17	256	14	38	12	26
SC PSC	37	414	37	154	134	20
TN PSC	189	885	184	81	70	28+
TX RC	1460	2135	466	8862	3528	5334
UT DBR *	98	104	90	46	51+	27
VT DPS	21	167	21	82	64	18
VA SCC	14	136	14	44	27	17
WA UTC *	25	98	23	34	46+	3
WV PSC *	63	493	55	34	77+	44+
PSC	16	119	16	212	101	254+
WI PSC *	72	202	67	25	20	5
DC PSC	11	75	11	10	0	10
PR PSC	2	73	1	0	0	0
TOTAL	8473	21017	3766	16018	8884	7828

STATE PIPELINE SAFETY PERSONNEL AS OF DECEMBER 31 1985

p.142c

STATE	SUPERVISORY		TECHNICAL		CLERICAL	
	NUMBER	PERSON YEARS	NUMBER	PERSON YEARS	NUMBER	PERSON YEARS
AL PSC	1	1.00	5	5.00	1	1 00
AZ CC	3	19	7	4.45	2	1.00
AR PSC	2	.60	4	2.81	2	.66
CA PUC	2	.75	6	5.10	2	1.00
CO PUC	2	28	3	2.05	3	.18
CT DPUC	2	.12	4	1.81	1	.29
DE PSC	1	.25	1	25	2	.16
FL PSC	1	.50	4	2.90	1	.90
FL STIC	2	.40	2	1.70	4	1.60
GA PSC	1	1.00	3	3.00	1	1.00
HI PUC	1	.05	1	.60	3	03
IL CC	2	1 15	6	6.00	0	.00
IN PSC	1	.75	3	2.25	0	00
IA CC	1	.10	6	3.55	1	.10
KS CC	2	1.25	3	3.00	2	.55
KY PSC	2	1.30	4	3.25	1	.75
LA DNR	3	3.00	7	7.00	3	2.00
ME PUC	1	.01	1	.50	2	.01
MD PSC	1	.10	1	.95	1	.20
MA DPU	1	.30	8	3 66	1	.36
MI PSC	1	36	3	3.00	1	.30
MN SFM	5	.50	3	3.00	1	1 00
MS PSC	1	75	4	3.25	1	1.00
MO PSC	1	.80	6	5 20	1	.50
MT PSC	3	19	1	.23	1	05
NE SEM	1	30	3	2.70	1	.50
NV PSC	1	.05	2	.85	1	.20
NH PUC	0	.00	1	1.00	1	84
NJ BPU	2	1.06	4	4.00	1	.75
NM SCC	1	98	3	3.00	1	.98
NY PSC	5	3.95	24	19.00	2	2.00
NC UC	1	.60	3	2.40	1	1.00
ND PSC	1	.07	3	.72	2	.10
OH PUC	3	1.40	7	6.50	1	.30
OK CC	1	.75	4	3.25	1	1.00
OR PUC	1	.10	1	1 00	1	.50
PA PUC	2	65	6	5.40	1	02
RI PUC	1	.00	3	2.69	1	.24
SC PSC	2	1.00	3	2.80	1	.80
TN PSC	1	.85	5	5.00	1	.10
TX RC	13	8.60	29	25.40	14	13.50
UT DBR	3	.30	2	.95	2	.50
VT DPS	1	60	1	.30	1	.10
VA SCC	2	21	4	1.56	3	.20
WA UTC	1	.10	2	.45	2	.20
WV PSC	2	.55	4	2 85	1	.80
WI PUC	2	65	4	2.93	2	.23
WY PSC	2	1.00	3	2 40	2	.80
DC PSC	1	.20	1	.80	1	.25
PR PSC	1	15	1	1.00	3	.20
TOTAL	94	39.82	219	173.46	86	40.75

TRANSPORTATION SYSTEMS CENTER

Mr. COUGHLIN. On page 74 you propose to "privatize" the Transportation Systems Center on April 1, 1987. Why did you pick April 1, 1987?

Ms. DOUGLASS. Well, that was halfway through the year, and we did not feel that we could get it accomplished any sooner than that, and that was the date that we thought, if we were able to work with Congress and if Congress supported the concept, we felt that we could realistically accomplish it by April 1st of 1987.

Obviously, if we cannot work with Congress on it, I would guess that date would slip.

Mr. COUGHLIN. Please provide for the record an explanation of why you propose "privatizing" TSC and how you propose to accomplish it.

[The information follows:]

Language in existing appropriation legislation precludes planning or implementing any change in the current federal status of the Transportation Systems Center (TSC) during FY'86. Specific options for changing TSC's federal status have not been studied recently because of Congressional prohibition. To accomplish the proposed privatization of TSC in the first half of FY'87 will require intensive negotiations accompanied by studies relating to employee and facility considerations as well as the smooth transition of existing TSC workload and its contracts with outside firms. Our privatization plans will seek to protect the interests of TSC's current employees and sponsors of the work being carried out at TSC.

Mr. COUGHLIN. What has been the reaction of TSC employees to your proposal?

Ms. DOUGLASS. Well, this is what I have found. I do not believe that the TSC employees are resisting privatization. Their concern is with the pension system, of course, and I do not blame them.

I think that privatization, if the pension thing is worked out, that actually, it would benefit the employees over the long-run, and a lot of the employees see it that way.

They are not afraid of being a private sector group. The problem is, they are nervous about their pensions, their medical benefits and perhaps their jobs.

So, you know, my feeling on it is that, I believe very strongly, that if Congress would be willing to work with us, that we can work out something that is very positive for everybody.

Mr. COUGHLIN. The fiscal year 1986 DOT appropriations act prohibits DOT from planning or implementing change in the federal status of DOT. I take it you have abided by this provision?

Ms. DOUGLASS. We have followed that to the letter. We have not done anything——

Mr. COUGHLIN. Is TSC providing a valuable service to the Department?

Ms. DOUGLASS. Yes, absolutely. We send, right now, I think it is—it varies from year to year—but $100 million in research up there. The Department sends something close to $100 million in research up to the Transportation Systems Center.

Obviously we think that—I am speaking as DOT—we think TSC does an outstanding job, and I do not think anyone in the Department, or even in the Administration is questioning the value of the work that TSC provides.

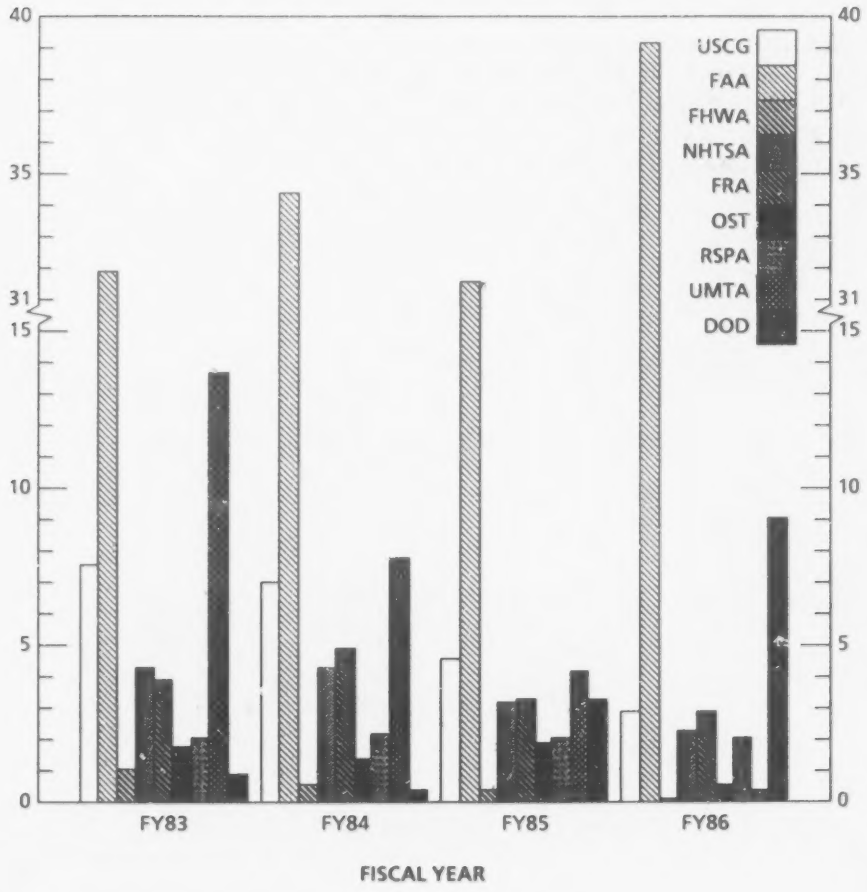
TSC OBLIGATIONS

Mr. COUGHLIN. Please provide for the record an updated bar chart of TSC obligations by mode similar to what appears on page 685 of last year's hearing record.

[The information follows:]

p.145a.

TSC NEW OBLIGATION AUTHORITY BY SPONSOR
($Millions)



Mr. COUGHLIN. Mr. Chairman, that concludes the justification questions.

Mr. LEHMAN. Thank you very much, Mr. Coughlin. There are no other questions, and I want to thank you for doing a good job before our committee.

Ms. DOUGLASS. Thank you.

Mr. LEHMAN. We will be in touch with the Los Alamos lab to see if they want to invite you out there for one of your field hearings.

Ms. DOUGLASS. All right.

Mr. LEHMAN. If you do not mind, that is?

Ms. DOUGLASS. No, not at all. That would be great. Thank you a lot for your support.

Mr. LEHMAN. The subcommittee is adjourned.

TUESDAY, MARCH 18, 1986.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

WITNESSES

JAMES L. EMERY, ADMINISTRATOR
EDWARD MARGOSIAN, COMPTROLLER
WILLIAM A. TUSAIE, DIRECTOR OF CONGRESSIONAL RELATIONS

OPENING REMARKS

Mr. LEHMAN. The Subcommittee will come to order.

This afternoon we will receive testimony on the fiscal year 1987 budget request for the Saint Lawrence Seaway Development Corporation.

The principal witness is James L. Emery, the Administrator. We will be pleased to hear your statement. You can read it, or if you prefer to summarize it we will be happy to insert your entire statement into the record.

Mr. EMERY. Thank you, Mr. Chairman. With me today is Mr. Tusaie, the Director of our Congressional Office, and Mr. Margosian, our Comptroller.

Let me express my appreciation to you for delaying this hearing. I was at the luncheon with Prime Minister Mulroney. As you know, Canada operates the seaway with us. So I came from there directly here.

I was telling Tom earlier that we just returned from a trade mission in Europe, and there is great potential for the sale of coal there.

I am going to work with some of your colleagues in West Virginia to try to develop a plan where we can get the coal to the Lakes at a reasonable overland cost, so that we can develop that trade, and seaway tonnage was down, primarily because the grain sales are off, both the United States and Canada, but I think that coal may be the one commodity that we can gather in to bring us back up to par, and that also puts people to work in this country. So, we are going to be pursuing that in the next several weeks, and I hope that we are able to put something together. So, I will go into questions on it. My statement is there. I am sure you will have an opportunity to go over it, and I appreciate the opportunity to be here with you.

[The prepared statement James L. Emery follows:]

STATEMENT BY ADMINISTRATOR JAMES L. EMERY
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION
COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES
MARCH 18, 1986

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to submit the Corporation's budget request for fiscal year 1987. Joining me are the Corporation's Comptroller Edward Margosian and Director of Congressional Relations William Tusaie.

In addition to my budget submission, I would like to discuss three major topics: (1) Seaway trade and traffic development, (2) lock rehabilitation, and (3) toll negotiations with Canada.

Budget Estimates

On the basis of the present toll levels and traffic projections agreed to by the U.S. and Canadian entities, the Corporation estimates its revenues for fiscal year 1987 will be $10.6 million. During the fiscal year, the Corporation proposes to utilize $10.5 million for operations and $1.5 million for replacements and improvements. Of the $10.5 million to be applied to operations, $8.5 million will be used for operations and maintenance and $2.0 million for administrative expenses. Replacements and improvements will be funded with $1.4 million from retained earnings.

The Corporation is in a strong financial position today with retained earnings of $10 million which represents an $8 million increase over the past two years. This money is deposited in interest-bearing accounts in minority banks across the nation under the Administration's Minority Bank Program where it is throwing off interest at 9 percent.

Trade and Traffic Development

Since my appointment by President Reagan in late 1983, I have led an aggressive campaign from the wheat fields of Fargo, North Dakota to the Old World port of Genoa, Italy to develop increased trade and traffic for the Seaway. Our efforts and persistence began to pay off last year as industrial exports from United States Seaway ports surged ahead by 52 percent. Large increases were recorded in such commodities as coal, coke, salt and scrap iron. Container and general cargo also rose as did P.L. 480 Title II Food for Peace which was up by 13 percent.

We are optimistic that this uptrend in industrial exports will continue and are working very hard to achieve just that. For example, we have just returned from the Seaway's 1986 Trade Mission to the Southern European nations of Spain, Portugal, Italy and Yugoslavia. Numbered among the 18 mission participants were United States and Canadian shipping companies, labor, grain firms and port directors.

The Mediterranean region was targeted as having excellent trade potential by the Journal of Commerce PIERS data base which lists all exports and imports moving through the Great Lakes region. Our Trade and Traffic Development Office subscribes to PIERS and we have shared copies with Great Lakes ports to pursue cargo leads for shipment via the Seaway instead of competing routes. This data, in my opinion, is the greatest marketing tool we've ever had.

Seaway ports should be competitive for this cargo because of their superior cost characteristics. Indeed, the Booz-Allen Transportation Cost Study we commissioned found that Great Lakes ports are among the most cost-effective in the nation. This is a great tribute to the hard

work, dedication and professionalism of Great Lakes Seaway port directors, stevedores, labor and pilots.

A highlight of the upsurge in industrial cargo was the Seaway's successful breakthrough into the marketplace for Department of Defense cargo. This was made possible when Fednav Lakes of Detroit began monthly U.S. flag service between the Seaway and Europe specializing in military equipment and household goods. This coming season Fednav will enter a second vessel into the service for regular bi-weekly sailings.

The potential for increased military shipments is huge as the Center for the Great Lakes recently estimated that 23 percent of DoD cargo valued at $28 billion was manufactured in the Great Lakes region in 1984. The Seaway's share was estimated to be less than .2 percent.

To encourage increased participation in this trade, the Corporation co-sponsored a seminar on military cargo in Chicago on January 15, 1986 for Great Lakes port directors, shipping companies and defense contractors. It is critically important that the Seaway's share of defense cargo shipments increases because the Center for the Great Lakes estimates that $250,000 is pumped into the regional economy every time 5,000 to 10,000 tons of cargo is handled at a Great Lakes port.

I want to thank Members of the Great Lakes Congressional Delegation who supported the Seaway's entrance into the defense cargo market and I welcome their continued support in the future.

Unfortunately, the strong gains registered in industrial exports did not extend to agricultural exports. After holding steady at the 23 million ton level for the past four seasons, the bottom fell out of the Seaway grain market last year with United States grain off some 2.5

million tons and Canadian grain off by 4.5 million tons. That both nations suffered a down year is somewhat of an anomaly, as in the past, weakness in one export market was usually offset by strength in the other.

Nonetheless, we have two reasons for cautious optimism in the year ahead. One reason is the leadership of the Reagan Administration in working with the Big Five nations to lower the dollar relative to other currencies. The dollar has fallen 30 percent in the past year and this will help make United States grain more price competitive.

The second factor is the long-term grain sales agreements which both our nations have entered into with the Soviet Union. Indeed, shipments of United States grain to the Soviet Union increased to 600,000 tons last year, putting us on the upswing of a U-shaped curve which is traceable to the Carter grain embargo.

To take advantage of these market opportunities, we have formed a Seaway Export Grain Task Force composed of grain companies, growers associations and state agriculture departments to promote increased grain shipments through the Seaway. We have also brought on staff a Russian-speaking trade specialist to work with Soviet grain buyers and other foreign markets such as North Africa.

I don't want to sound corny, but grain is the Seaway's bread and butter cargo and unless we can regain market share, the waterway will never reach its full potential. This is especially true for Canada because, of its grain exports, one-half moves through the Seaway.

Lock Rehabilitation

The Seaway made world headlines again last year when the wall of lock seven of the Canadian Welland Canal collapsed unexpectedly. While this incident was certainly unfortunate, I want to congratulate the Canadian Seaway Authority for making necessary repairs and restoring service as soon as possible. The Canadian mishap has raised questions about the conditions of the two United States Seaway locks, Eisenhower and Snell, at Massena, New York.

In my testimony last year before this committee, I disclosed that we had just received a Reconnaissance Report prepared by the Buffalo District Office of the U.S. Army Corps of Engineers. The report recommended large scale work at both locks including full restoration of deteriorated concrete at Eisenhower and improvement to the structural stability of both Eisenhower and Snell. The Corps estimated a $40 million price tag for this work.

We elected to proceed with the first stage of the project this year using funds from the Corporation's capital reserve account.

We have awarded a $2.3 million contract for concrete rehabilitation at Eisenhower lock. This work is now underway on a round-the-clock basis and will be completed in time for the opening of navigation in early April. I personally inspected the worksite in early February and, frankly, I'm glad we got started because the deterioration is worse than we thought.

To address the lock stability issue, we have contracted with an engineering team for the highly respected Clarkson School of Engineering in Potsdam, New York to determine exactly what type of work needs to be done.

We are also contracting with an engineering consulting firm to develop a contingency plan should we experience some form of lock shutdown. The purpose of the plan is to lay out a blue print of the workers, equipment, materials and procedures needed to get us back in operation as soon as possible.

In our best opinion, there is no imminent danger of shutdown at either United States lock. At the same time, we are convinced beyond any doubt that the preventive maintenance and rehabilitation work must be continued.

Toll Negotiations with Canada

Each year the days of autumn find the United States and Canadian Seaway agencies huddling in Ottawa or Massena to review their respective revenue needs for the coming year for both the joint section of the Seaway stretching from Lake Ontario to Montreal and the Canadian Welland Canal which connects Lakes Erie and Ontario.

For the 1984 season, both agencies agreed that projected revenues would be sufficient to cover expenses for both sections of the Seaway without resorting to a toll increase.

The toll freeze was extended through 1985 based upon our agreement to share $700,000 of our revenues with the Canadian Seaway Authority to help them offset a projected deficit.

For 1986, the United States has again rejected the need for a toll increase at the joint section of the Seaway and has again agreed to share $700,000 with Canada to enable them to freeze tolls as well.

Although 1985 United States toll revenues fell $3 million from 1985 levels, we are able to maintain the freeze, help our Canadian

partners, and continue Seaway operations and maintenance at full strength because of the management and productivity improvements we have installed over the past two years. My staff has recently compiled a list of those improvements and related annual savings which follows: Realign organization, $660,000; lock operations, $303,000; wage negotiations, $170,000; ice studies, $100,000; security function, $59,000; reduction of overtime, $30,000; filling positions at lower grades, $25,000; reduce space rental, $20,000; and leased space, $15,000.

I want to thank all Seaway employees, including Local 1968 of the American Federation of Government Employees, for their cooperation in making many of these improvements possible.

Although we have achieved a toll freeze for the joint section of the Seaway for 1986, the Canadian Seaway Authority feels that it must impose a 15 percent increase in tolls for the Welland Canal in order to meet projected operating expenses. This translates into a 6 percent toll increase systemwide.

I empathize with the disappointment of Great Lakes port directors, shipping associations and labor over this increase as expressed at our public hearing on the matter which was held here in Washington on February 5th. However, the alternative in terms of Welland service curtailments or maintenance deferrals could be even more damaging to the Seaway's long term interests.

In discussions with Canadian Seaway officials on this matter, I have attempted to impress upon them our preference to generate needed additional revenue through increased traffic levels instead of through higher tolls. They have responded by agreeing to work with us closely

over the next year to devise a system of incentive tolls to do just that. I also plan to obtain the input of Great Lakes port directors and others on the form these incentives should take.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to questions you or other members of the committee may have.

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT

Mr. LEHMAN. All right. The Balanced Budget and Emergency Deficit Control Act of 1985 requires an $82,000 decrease in your fiscal year 1986 limitation on administrative expenses and a decrease of $559,000 in operations.

What effect will these reductions have on the administration and operation of the Seaway Development Corporation? How will you achieve these cuts?

Mr. EMERY. Well, we will have no trouble in reaching the cuts. We have kind of had our own balancing budget plan in operation for the last two years.

We have been cutting administrative costs and putting in management controls. We have achieved that. We have decreased our number of people, primarily in top white collar positions, if you will, bolstering, at the same time, the staff that operates the locks.

We have created an Office of Trade and Traffic Development which is geared to increase our tonnage on the Lakes, and therefore increase our dollars in revenues.

The one area that will be a problem to us, if the Gramm-Rudman Act is implemented in 1986, is in our repairs. This year we are spending about $3.5 million in repairs.

This money is coming from retained earnings that we have had over the years, and in future years, if we are not able to spend that retained earnings, or even our excess earnings of each year, we are not going to be able to meet our major repairs. Indeed, in 1987, we could have major problems in our extraordinary repair problem.

Mr. LEHMAN. Were you speaking of 1986 or 1987?

Mr. EMERY. I meant 1987. 1986, we are all set. We are meeting that without any problem. 1987, fiscal year 1987, we could have some problems. As you know, the CBO, and OMB said that we fall under the Gramm-Rudman Act, even though we raise our own revenues.

So we are in the unusual position of raising our revenues, and putting them over here in a bank account, but saying you cannot spend them. So, we do have some problems.

Mr. LEHMAN. The Panama Canal Commission has the same problem.

Mr. EMERY. Yes, sir. They do.

Mr. LEHMAN. For the record, please provide a breakout by object classification showing where you will make reductions to achieve the $82,000 cut in administrative expenses and the additional $559,000 cut in operations also required under Gramm-Rudman-Hollings.

[The information follows:]

The Corporation plans to cut administrative costs in the following object classifications: printing, $25,000; other services, $27,000; supplies and materials, $20,000. The $559,000 from operations will be cut from other services.

TRAFFIC PROJECTIONS

Mr. LEHMAN. Last year you indicated that even though Canadian and U.S. grain shipments were down you were still projecting 2 percent growth in traffic for 1985 and 1986.

From all accounts, it appears that not only did that growth rate not materialize, but that, despite your marketing efforts, Seaway traffic actually fell to its lowest level since the Seaway opened in 1959.

Why did this happen? By how much, and in what major commodity groups, did U.S. and Canadian shipments decline, and why?

What percentage of total traffic do the commodity groups that are experiencing traffic losses represent?

You can summarize and then expand on your answer for the record.

Mr. EMERY. Well, we did—I guess you might call it the high point of it—that we were up in general cargo about 52 percent over the previous year, and I think that was due primarily to our efforts in trade and traffic development, and that growth came from the United States side.

Unfortunately, the loss in our tonnage, some 30 percent, was down in grains, and they were Canadian grain sales. Canadian grain sales account for about 75 to 80 percent of our tonnage. Grain then accounts for 54 percent of the tonnage, and when that fell off 30 percent, we just went, skyrocketed down.

Canadians were at a loss. We take, obviously, their figures from their side of the border. They take our figures from our side, and they were projecting a 2 percent growth, and the market just went out, the bottom fell out of the grain market.

We did re-capture a considerable amount of that towards the end of the season but not enough to bring us back to par. It is, I think, further evidence of why we have been focusing our attention in the Great Lakes States to commodities other than grain, because we think that is where the growth has to occur.

Mr. LEHMAN. In an October 4, 1985, article in the Journal of Commerce, Mr. William O'Neil, president of the Saint Lawrence Seaway Authority of Canada, indicated that the traffic picture on the Seaway is definitely changing.

He states: "There are indications that significant structural changes are occurring in the demand patterns for the commodities that have traditionally been the mainstays of Seaway traffic."

Mr. O'Neil specifically predicts a long-term decline in demand for both U.S. and Canadian grain, and possibly for Canadian iron ore.

Together, these commodity groups constitute a major share of Seaway traffic. Do you agree with Mr. O'Neil's assessment, and if not, why not?

Mr. EMERY. Well, there is no question iron ore has been falling off drastically, and one of the things that has been a godsend to the Seaway is the fact that—although not to our steel industry—has been the import of iron and steel, because that is a high dollar item for us, and those ships are available to take grain out.

In talking with the grain industry—and we had two representatives of the grain industry on our trade mission—they are projecting a problem of three to five years, until we again gain our foothold in the grain market in the world. So, we are probably going to suffer maybe even some further declines, but I do not think too drastic over what we had last year.

So if we can hold our own there, I think with the general cargo increase we can come back.

MARKETING STRATEGY

Mr. LEHMAN. With what commodities and markets does the Seaway's future lie, and how are you directing your marketing efforts to promote traffic growth in these commodities on the Seaway?

Mr. EMERY. I think it is in general cargo of heavy machinery, break bulk items, and coal, coming back again from these four countries. In the northern Mediterranean there is a great demand for coal, hopefully a great demand for U.S. coal. What we have got to do—and we are working on a plan now—is to work with the railroads to give us a better rate from the mines of West Virginia and Ohio, Pennsylvania, to the Lakes, similar to the rates they give to the East Coast, and I think if we can get that good rate, then we can capture a good percentage of that market.

Mr. LEHMAN. What ports would you use?

Mr. EMERY. We have four potential ports, or we have four coal ports: Toledo, Sandusky, both in Ohio; Ashtabula, Conneaught in Ohio, and Buffalo, New York.

CARGO PREFERENCE REQUIREMENTS

Mr. LEHMAN. Under new cargo preference requirements for agricultural exports shipped under Federal relief programs, the U.S. flag share will increase from 50 to 60 percent this year, to 70 percent in 1987, and to 75 percent in 1988.

First, how many U.S. flags are now operating on the Seaway, and, second, what effect will these new requirements have on grain shipments on the Seaway?

Mr. EMERY. Well, we only have one U.S. flag that operates in the P.L. 480 cargo and that is Lykes Brothers. Most of the cargo that goes out of the Lakes has been with foreign flags, and that is the way we have achieved our 20, 22 percent of the P.L. 480 cargo.

Obviously, this is going to have a significant impact on us, but, you know, P.L. 480 cargo is not a great percentage of the tonnage that we handle, yet it is a magnet cargo that attracts the ships in and they are able to carry other cargo on the way out. So it is going to be a factor. I appreciate what you and your colleagues did in Congress to at least give us a period of grace there, that we can have the same percentage of tonnage that we had in other years, and hopefully, we are going to rebound from that.

Mr. LEHMAN. Why aren't more U.S. flags operating on the Seaway, and as part of your marketing initiatives are you doing anything to attract more U.S. flag service to the Great Lakes-Seaway system?

Mr. EMERY. We got a new U.S. flag service in last year. Although they are not in the P.L. 480 cargo, they are handling defense cargo. That is the Fed Lakes service. They are putting the second ship in this year.

So that we have made some efforts in getting U.S. flags there, although the costing patterns today are such that it is not attractive for U.S. flags to go in there.

So we are working with the old line services, hoping to encourage them to put in their ships that they have.

It is interesting to note that the Canadians, who established this new U.S. flag service, have seen fit to make money on the Fed Lakes, and they put the second ship in. Why we cannot interest more U.S. concerns is beyond me, but we are trying.

DOD CARGO

Mr. LEHMAN. Last year you indicated that as part of your efforts to increase Seaway traffic you also were targeting Department of Defense shipments that must move on U.S. flag vessels.

Did the amount of defense cargo moving via the Seaway increase in the 1985 season?

[The information follows:]

Yes. Department of Defense cargo did move through the Seaway in 1985. A new U.S. Flag line, FEDNAV, began moving military cargo to Western Europe and returning with cargo that primarily consisted of household goods of military personnel returning to the United States from Europe.

During the 1986 shipping season, FEDNAV will serve the Lakes with two U.S. Flag vessels. With two vessels, Great Lakes ports can be assured bi-monthly service to Western Europe.

SEAWAY TRAFFIC INTERRUPTIONS

Mr. LEHMAN. Two mishaps on the Seaway—the collapse of a Welland Canal lock wall and the ramming of a bridge near Valleyfield—delayed traffic on the Seaway this past shipping season.

How long was traffic interrupted on the Seaway as a result of these mishaps, how much traffic was diverted, and what was the associated revenue loss?

Mr. EMERY. We were held up for about 3 weeks while the repairs were made. I could not identify any cargo that was diverted.

In fact I made probably about 25 calls to chief executive officers of shipping companies, and of major exporters to the United States, and did not get any notion that people were diverting, and in fact I think I reinforced the relationship that we had with those countries and they are not leaving the Seaway another year.

I really cannot say that we lost any revenues. We probably lost some, but nothing that we can measure to a great degree so I think it was minimal.

Mr. LEHMAN. How long was the 1985 shipping season extended beyond the normal closing date?

[The information follows:]

The 1985 season was extended approximately 10 days. The actual closing date for the Montreal-Lake Ontario section was December 29. The normal closing date is approximately December 20.

Mr. LEHMAN. I am going to go to the floor and vote. Don't go away.

[A vote recess was taken.]

SEASON EXTENSION

Mr. LEHMAN. It appears from your prior year's testimony and other reports that you advocate an incremental extension of the shipping season. Of course there are a host of related concerns that

need to be addressed: increased costs, ship winterization, environmental effects, labor support, reliability, and increased cargo volumes to support season extension.

In light of the tremendous decline in traffic, are you, or is Canada, still seriously considering an incremental extension of the shipping season? Are you looking at these related concerns, and if so, what have you found?

Mr. EMERY. I think, Mr. Chairman, we are really there now because the last two seasons, because of the mishaps, we have stayed open till the first of the year, so that that is basically what we are looking at, and I am hopeful that we can look at the first of the year in each of our successive years despite any further mishaps which give us additional time to ship.

Mr. LEHMAN. There have been reports that as an alternative to season extension you are studying the possibility of starting your own rail service, and, also, that you have started preliminary negotiations with railroads to subsidize overland shipments to enable you to serve shipping during the 3 and one-half months the Seaway is closed.

Do you believe the Seaway Development Corporation currently has the authority to start rail service or to subsidize overland shipments? Can you tell us more about this?

Mr. EMERY. What we are looking at is—you know, there is great concern, the fact that we are down for three months and that we are losing business because we cannot guarantee shippers that 12-month service.

So what I have said to our port directors is how much new cargo can you generate, if we can guarantee you 12 month service, and that if we can get those figures, then we can look at how much increase in revenues that we will achieve, and can we then help subsidize an overland route during the three months that we are down.

Absent that information, I really cannot give a judgmental decision. What we are looking at is, is there a possibility to that, and obviously, prior to our entering into any such agreement we will come back to this committee and ask its permission; but we do not have the figures necessary, at hand, yet, to do that.

Mr. LEHMAN. You are experiencing declining traffic levels and loss of revenue and, according to the Corps of Engineers, are faced with fairly substantial rehabilitation needs on the Eisenhower and Snell Locks.

Could you afford to start your own rail service or to subsidize overland rail shipments for 3 and one-half months? To what extent would these approaches to attracting additional Seaway traffic be cost-effective?

Mr. EMERY. Well, we obviously would not enter into it, Mr. Chairman, without making some money on it. We certainly do not want to enter into a situation where we are going to lose money. If we can see where increased traffic would generate additional revenues, over and above what we had to pay out for subsidization, we might consider it; but we are not going into a losing proposition.

Mr. LEHMAN. Both the United States and Canadian Seaway Authority have agreed to the proposal to extend the freeze on tolls on the Montreal-Lake Ontario section of the Seaway for another year, while tolls on the Welland Canal would be increased 15 percent.

That equates to a 6 percent systemwide toll increase. What effect will this systemwide increase have on traffic levels and on receipts from traffic going through the jointly-shared U.S.-Canadian Montreal-Lake Ontario section where tolls would be frozen?

[The information follows:]

The Corporation believes that the toll increase will not reduce significantly the level of traffic on the system.

Mr. LEHMAN. I might as well go vote and then come on back.

Mr. EMERY. Okay, sir.

[A vote recess was taken.]

Mr. LEHMAN. Supposing I start. Carl, I will ask this question and then whenever you want, I will yield to you.

It is reported that you have said "If our current cost control and trade development activities are not sufficient to meet expenses in 1987, I would then favor some method of indexing tolls to inflation."

Do you anticipate being able to meet expenses in 1987, based on current projections of toll revenues, and how much of a surplus, if any, do you anticipate?

If you do not anticipate being able to meet expenses next year, what specific toll increase mechanisms are you looking at, and are you assessing the effects on traffic levels?

Mr. EMERY. Well, we will meet our operating expenses in 1987 based upon our existing projections. We are using interest from our minority bank deposits for extraordinary repairs. Indeed, if we go forward with a massive repair program, then we are going to have to dip into our reserves.

So that I think we are nearing the point where we have to project a long-range revenue projection with Canada, instead of doing it on a year-by-year basis. I am favoring reaching out for five or six years instead of doing it on a current level.

Mr. LEHMAN. You also agreed to the proposal to continue the two percent subsidy of the Canadian Seaway Authority. Last year you said you did not think overall revenues would be greatly affected because of your investment policies and because you were hoping to achieve increased tonnage.

What effect did this toll revenue sharing arrangement have on your revenues this past seasion, and what effect do you anticipate it will have in the coming year if it is agreed to in your negotiations?

Mr. EMERY. We gave up the 2 percentage points which accounted for about $700,000 last year, and that was to keep the toll levy at the 1983 level, which I thought was essential for U.S. shippers.

We agreed again to give up that 2 percent this year, to keep the increase to 6 percent. I would venture to say that I do not think that we can agree to do that much longer than through this year because we have got to recapture our own money and get it back for our investments.

FIVE-YEAR CAPITAL PLAN FUNDING

Mr. LEHMAN. According to your five-year capital plan you intend to spend a total of $12 million on capital projects through fiscal year 1989.

Last year you said you intended to fund these projects out of current revenue.

Have your annual revenues been sufficient to cover these expenses as well as your operating expenses, and, if not, how much are you using from your capital reserves?

Mr. EMERY. We are taking about $2.5 million out of capital reserves this year, which will bring us down to about $10 million.

Again, next year, if the tonnage comes back, we will be able to fund more of our capital improvements out of existing revenues. Other than that, we will have to dip further into our $10 million of reserves.

EISENHOWER AND SNELL LOCKS

Mr. LEHMAN. In addition to the $12 million for capital projects identified in your 5-year plan, the Corps of Engineers has recommended a $39.2 million program to rehabilitate the Eisenhower and Snell Locks. Last year you indicated that funding options for the lock rehabilitation work were still being evaluated, but you also said that you were working with the Corps "to try to get those funds included in their budget for that necessary repair."

Is funding for the Eisenhower and Snell Locks included in the 1987 Corps of Engineers budget, and, if not, how do you intend to fund the rehabilitation?

Mr. EMERY. Well, sir, it is in the House, the Roe bill, the authorization is there for the money; it is not in the Senate bill. We are hoping that that gets into the compromise version.

However, I think that is a little bit premature. We are out for a bid now to an engineering firm to come back and give us a cost estimate, and a timeframe and the extent of the work that has to be done each year, over the next several years.

Once we get that, then I think we can come back, sufficiently, to the appropriate committees, and say, here's what we need each year.

We may be able to fund some of those out of our current revenues, or indeed, out of our reserves, and I won't know on that probably for about six months and we will share that with you as soon as we get that.

Mr. LEHMAN. In your December 3, 1985, letter to me, you indicated that this winter you intend to begin the rehabilitation work recommended by the Corps, starting with a project to perform concrete repair to the lower lock walls at Eisenhower Lock.

Your estimate for this work is $3.3 million. How do you intend to fund this work? Will you have to defer capital projects or equipment purchases identified in your 5-year plan, and, if so, which projects and what equipment purchases?

Are you still negotiating with the Corps of Engineers for some cost-sharing agreement?

Mr. EMERY. We have not varied from our 5-year plan. We are continuing to do everything on target. We did the extraordinary

work out of our capital reserves, and our revenues. We are spending about $3.5 million this year. Concrete restoration is $2.4 million.

It is interesting that our bids came from 2.4 to $7 million, so we have got a good bid there, and we are doing all the work within our framework of our reserves, and our existing revenues.

We will have, as I mentioned, about $10 million of reserves left, but we are doing it within that framework.

REPLACEMENT AND IMPROVEMENT PROJECTS

Mr. LEHMAN. On page 410 of last year's hearing record you identified replacement and improvement projects, in order of priority, that you planned to complete or that were underway.

For the record, please update this information for fiscal years 1985 and 1986, and add the information for fiscal year 1987.

[The information follows:]

Replacements and improvement projects

Fiscal year 1985:	
Replace hatch covers	$39,793
Valve guide modifications	72,827
Improved fendering	59,215
Fire alarm system and integration	115,509
Water level and data logging	25,430
Other	108,035
Conversion of aids to solar power	11,005
Visibility measurements	31,437
Navigation aids improvements/modifications	68,545
Computer	306,065
Cranes	217,705
Replace small tools	119,352
Equipment purchases and replacements	219,082
	1,394,000
Fiscal year 1986:	
Replace hatch covers	40,000
Valve guide modifications	42,000
Improved drainage systems	26,000
Lock operating equipment improvements/replacements	340,000
Video transmission Snell/Snug Harbor/Eisenhower	63,000
Electrical improvements	73,000
Wind breaking—guidewall	25,000
Building improvements	250,000
Boat ramp	2,000
Miscellaneous engineering services	30,000
Navigation aids improvements/modifications	73,000
Buoy barge	400,000
Equipment purchases and replacements	136,000
	1,500,000
Fiscal year 1987:	
Replace hatch covers	75,000
Spare tainter valves	50,000
Valve guide modification	40,000
Improved drainage systems	15,000
Replace tunnel lighting	100,000
Vessel traffic control—plot board display	100,000
Vista house parking area	125,000
Flushing ports—Snell	150,000
Air curtain—Snell	100,000
Conversion of aids to solar power	22,000

Visibility measurement	150,000
Navigation aids improvements/modifications	50,000
Equipment purchases/replacements	523,000
	1,500,000

EQUIPMENT PURCHASES

Mr. LEHMAN. Last year you provided a list of your fiscal year 1984 equipment purchases and your planned equipment procurements for fiscal year 1985.

For the record, please provide a breakdown of actual equipment purchases for 1985 and of planned purchases for fiscal years 1986 and 1987.

[The information follows:]

1985 actual equipment purchases:	
Cranes	$217,705
Computers	306,065
Replace small tools	119,352
Equipment purchases and replacements	219,082
	862,204
1986 planned equipment purchases:	
Buoy Barge	400,000
Equipment purchases and replacements (includes computers, trucks, furniture, lawn mowers, buoys, etc.)	136,000
	536,000
1987 planned equipment purchases:	
Modifications to tug	200,000
Equipment purchases and replacements (includes radio equipment, trucks, buoys, safety equipment)	323,000
	523,000

OPENING AND CLOSING DATES OF NAVIGATION

Mr. LEHMAN. For the record, update the table on page 427 of last year's hearing that gives the actual opening and closing dates of navigation, including the 1985 season.

[The information follows:]

ACTUAL OPENING AND CLOSING DATES OF NAVIGATION

Table 16

Year	Montreal-Lake Ontario Section			Welland Canal Section		
	Opened	Closed	Days of Navigation	Opened	Closed	Days of Navigation
1959	April 25	December 3	223	April 1	December 15	259
1960	April 18	December 3	230	April 1	December 16	260
1961	April 15	December 5	235	April 1	December 16	260
1962	April 15	December 7	237	April 1	December 16	260
1963	April 15	December 13	243	April 1	December 18	262
1964	April 8	December 7	244	March 30	December 15	261
1965	April 8	December 16	253	March 30	December 16	262
1966	April 1	December 15	259	April 4	December 16	257
1967	April 7	December 15	253	April 1	December 15	259
1968	April 8	December 14	253	April 1	December 22	266
1969	April 7	December 15	253	April 1	December 22	266
1970	April 4	December 17	258	April 1	December 30	274
1971	April 14	December 20	251	March 29	January 7	285
1972	April 12	December 23	256	March 29	December 15	262
1973	March 28	December 22	270	March 28	January 4	283
1974	March 26	December 17	267	March 29	January 17	295
1975	March 25	December 20	271	March 25	December 31	282
1976	April 3	December 24	266	April 1	January 3	278
1977	April 4	December 26	267	April 4	December 31	272
1978	April 3	December 22	264	March 28	December 31	279
1979	April 2	December 22	265	March 28	December 29	277
1980	March 24	December 19	271	March 24	December 31	283
1981	March 25	December 20	271	March 25	December 27	278
1982	April 5	December 21	261	April 5	December 23	263
1983	March 31	December 19	264	April 5	December 28	268
1984	April 2	January 2	274	March 28	January 1	288
1985	April 5	December 29	268	April 1	December 30	274

EXPENDITURE BREAKDOWN

Mr. LEHMAN. Last year you estimated the following spending amounts for fiscal year 1985: $1.8 million for administrative expenses; $8.2 million for operations and maintenance; and $2.4 million for replacement and improvements.

What were your actual expenditure breakdowns for 1985, and what are the estimated breakdowns for 1986 and 1987?

[The information follows:]

EXPENDITURE BREAKDOWNS

[In millions of dollars]

	Fiscal year		
	1985	1986	1987
Administrative	$1.8	$1.9	$2.0
Operations and maintenance	7.1	[1] 11.5	8.5
Replacements and improvements	1.4	1.5	1.5
Total	10.3	14.9	12.0

[1] Includes $3.4 for major rehabilitation of locks.

TONNAGE

Mr. LEHMAN. Please update for the record the information on Seaway tonnage found on page 428 of last year's hearing.

[The information follows:]

TONNAGE BY CALENDAR YEARS

[In millions of dollars]

	Actual		Forecast	
	1984	1985	1986	1987
Grain	$23.51	$16.37	$18.10	$19.10
Coal	.45	.61	.35	.35
Iron Ore	11.40	8.68	8.83	8.97
General	4.94	4.80	3.47	3.70
All other	7.15	6.86	7.00	7.08
Total	47.45	37.32	37.75	89.20

REVENUES

Mr. LEHMAN. Also, please provide updated information on your estimated future revenues, similar to that found on page 429 of last year's hearing.

[The information follows:]

ESTIMATED FUTURE REVENUE AND EXPENSES

[In millions of dollars]

	1987	1988	1989	1990
Revenue estimate	$10.6	$11.3	$11.8	$12.3
Operating costs [1]	10.5	11.0	11.5	12.0

ESTIMATED FUTURE REVENUE AND EXPENSES—Continued

[In millions of dollars]

	1987	1988	1989	1990
Replacements and Improvements	1.5	1.0	1.0	1.0

[1] Net depreciation, replacements and improvements

EISENHOWER LOCK CONCRETE REPAIR

Mr. LEHMAN. According to your testimony last year, the Corps of Engineers' recommendation regarding lock rehabilitation included $5 million for concrete repair.

According to your December 3rd letter to me, the concrete repair work you will perform this winter will cost $3.3 million and will complete approximately 45 percent of the total concrete repair work recommended by the Corps of Engineers.

Is the original $5 million Corps of Engineers estimate still valid? If so, why is the outlay for the initial 45 percent of the work so much higher than for the remaining 55 percent?

Mr. EMERY. That was an estimate from the Corps, and as I pointed out, our bid did come in at $2.4 million for the concrete work, so that we do have—that is about on target, then, $2.4 million out of a projected $5 million.

We are about on target, and hopefully will complete that concrete work next year.

LOCK WALL STABILITY STUDY

Mr. LEHMAN. Your December 3rd letter also indicated that you intend to enter into a contract with Clarkson University to perform additional analyses of lock wall stability requirements to reassess the results of both a 1981 study of stability problems and the Corps' reconnaissance study.

Clarkson University will then prepare a scope of work for the engineering design for lock stability improvements at the Eisenhower and Snell Locks. NO. 059-731, FILNAM.EXT, A731C.043

Does this mean the $39 million Corps of Engineers estimate for rehabilitation of the Eisenhower and Snell Locks is not valid or is questionable?

Why is it necessary to let a separate contract to evaluate the earlier 1981 study and the Corps study? Cannot the engineers who will prepare the detailed designs do this same type of assessment?

What is the total cost of your contract with Clarkson University for this work?

Mr. EMERY. The total cost of Clarkson was $6,000. They came in to review the Corps of Engineers' work, and the former study that we had back in 1978-1979, and they, the Clarkson people, decided that there was not detailed enough information in either report to lay out a plan that we could bring to Congress, to say here is what we need in the line of expenditures, if we cannot fund it ourselves.

We have now gone to bid for that. We are estimating $250,000 that will be the engineering study, so that will give us that, as I have mentioned earlier, that detailed out-year plan, each year, the

amount of work that has to be done, and the price, that we can then bring back to you. We have included that $250,000 in the $3.5 million of work we are doing this year. So that money is there for that purpose.

Mr. LEHMAN. Mr. Coughlin, I will yield to you and then you may yield to Carl, if you like.

QUESTIONS SUBMITTED BY THE HONORABLE LAWRENCE COUGHLIN

Mr. COUGHLIN. Mr. Chairman, I just have some questions I will submit for the record, to the extent they have not been answered otherwise in the course of the testimony.

I want to join the Chairman in welcoming James Emery to the committee today. I note that his name is often mentioned as a possible Republican candidate for Governor of New York.

We wish him well, whatever he decides to do. Although there was strong opposition to his nomination as administrator several years ago, he has successfully won over his critics and is now regarded as one of the best things to happen to the Seaway in recent years.

SEAWAY ACCIDENTS

Last fall, a 150-foot concrete chunk of Lock No. 7 in the Welland Canal fell over into the side of a ship. Over 70 ships were stranded at a loss of about $350,000 in revenue per ship.

Earlier, a lift-bridge jammed at Valleyfield, Quebec, causing an 18-day shutdown and costing shippers a total of more than $40 million in lost business.

The Seaway is less than half the age of the 54-year old Welland Canal. However, are these accidents a harbinger of things to come?

Seamen say that the Welland Canal locks are in such poor shape that one must wear hard hats because of the danger of being hit by falling concrete.

Is this true? What can be done? Some say that Canada has not been diligent enough in maintaining its side of the Seaway. Is this true? Should the U.S. assume responsibility for maintaining both the Canadian as well as the U.S. sides?

[The information follows:]

Unfortunately, the St. Lawrence Seaway has experienced major problems during the last two years causing interruptions to navigation. However, improved inspection and maintenance procedures should prevent additional delays to navigation during the upcoming navigation season.

The wearing of hard hats is not related to falling concrete at the Welland Canal. As a safety precaution, seamen on most commercial vessels wear hard hats.

The Canadian Seaway Authority is investing approximately $8.5 million in maintenance work between the end of the 1985 shipping season and the start of the 1986 season. In addition, the Canadian Seaway Authority has commissioned an engineering evaluation of the status of the Canadian locks. The U.S. Seaway Corporation believes that the Canadian Authority is adequately addressing the maintenance problems on the Welland Canal, as well as the Montreal to Lake Ontario section of the Seaway.

SEAWAY TONNAGE

Mr. COUGHLIN. Shipments through the Seaway have been running considerably less than two-thirds of capacity in recent years.

Canada's 16 percent increase in Welland tolls (translating to a 6 percent increase systemwide) will not help this situation.

Why is the Seaway not operating closer to capacity?

How much of a factor is intense competition from deregulated railroads?

Do federal laws favor coastal ports over lake ports and put the Seaway region at an unfair economic disadvantage?

If so, how much of a favor is this situation?

[The information follows:]

Tonnage on the Seaway system is well below capacity due to declining movements of iron ore and export grain. Also, the size of the seaway locks limits the number of vessels that can transit the system.

The amount of grain moving on the Seaway is affected by competition for grain from the railroads. Unit trains carrying grain from the Midwest to East Coast and West Coast ports have reduced the size of the Midwest grain hinterland served by the Seaway.

Federal laws favor coastal ports over lake ports in that Seaway users must pay tolls, a user fee, to reach lake ports while coastal ports have no federal user fees. The situation is clearly unfavorable to the lakes, but no specific data is available on exactly what the economic disadvantage to the Great Lakes region would be.

INSPECTOR GENERAL'S REPORT

Mr. PURSELL. I see, Mr. Chairman, that we have some subsequent questions to ask that the staff has prepared regarding the Inspector General's reports.

But I wonder if you, Mr. Emery, might just comment in general on the IG report, regarding the definition of what is official and what is not with respect to the recreational facility. Would you care to comment on that to the committee?

Mr. EMERY. Sure.

Mr. PURSELL. There has been a lot of negative press about the IG reports and it has probably had some adverse effect on your agency.

Mr. EMERY. Well, when that report was in process, internally, I said let's go out and go public with it right then, and I was urged not to, that let it run its course. Because I felt that the expenditures were justified.

First of all, let me take the facility at Cape Vincent which the Inspector General has called a recreational facility; we call it an up river operations base.

It was a former Coast——

Mr. PURSELL. That is $120,000?

Mr. EMERY. $120,000. It was a Coast Guard facility. The land is probably worth in the neighborhood of $200,000. There is a pier that we have had estimates, that it would cost $500,000 to install that. We were mainly interested in the pier to tie up our tug and our barge when we are doing the buoy runs at the mouth of the river down to Lake Ontario.

But we have two other functions. One is to handle oil spills in the Saint Lawrence River. We have initial responsibility.

Second, we have, over the years, been very highly criticized because we are not enforcing the speed limits on the Saint Lawrence River which causes erosion, washout of docks.

So last year we contracted with a retired state trooper who ran the river patrol for the New York State police, who is now our

speed enforcement officer. That person works out of Cape Vincent about half his time.

Our buoy runs are both at the beginning and end of the season which take anywhere from a week to ten days, and we have our people staying in motels and paying them per diem.

It was our feeling that we could justify the expenditure of fixing up that property, which was an eyesore in the Cape Vincent area, and we have been applauded by the Chamber of Commerce and the town board.

We fixed it up to allow it to be used for overnight facilities for our people working in that area. To recapture some of our investment——

Mr. PURSELL. What do you mean, overnight facilities?

Mr. EMERY. Because when the tug and the barge are putting in the buoys and taking them out, they are in that area for a week or ten days. There is about a six- or seven-man crew that then stays there overnight because they could not get back to Massena, which is a distance of about 90 miles. So they stay there overnight while they are working in that area.

Likewise, the speed enforcement crew works out of that area. It is right adjacent to a pilot station where the pilots change in that area, and it is at the mouth of Lake Ontario, which gives us a base of operations at either end of our jurisdiction—Massena at one end; Cape Vincent at the other.

We have radios there that are—it is easily adaptable for an alternative emergency control center, if we have an incident in that area.

Mr. PURSELL. One of the other items listed is a $32,000 chartered air flight. Seaway officials—you, I guess—or somebody representing you, said that the charters were used "partly because timely commercial flights to Massena were difficult to arrange."

The Inspector General, however, listed two examples in which the Seaway officials hired charters that virtually duplicated less expensive commercial flights available virtually at the identical hours.

Mr. EMERY. Well, he is going on schedules and I applaud any, the Inspector General, or any auditing agency, because we are certainly open to suggestions that we can better our operations.

But one is the scheduled service, and the second is the practicality, when those airlines do not run, and I can give you a good example. The Comptroller, on my right, left last week to go to Massena at 6:00 o'clock at night and got as far as Syracuse, stayed overnight, and had to go up in the morning, and wasted, you know, about 12 hours.

It is not reliable service. I think you only have to ask your colleague, Congressman Martin, if he uses it or does not. It is just not cost-effective when we are taking five to seven people up.

We are now using FAA charters, which although, again, not comparable to exact cost, we are utilizing a government aircraft and government employees who need that flying time, as well as providing that service to us, and I think we have overcome that problem now.

Mr. PURSELL. Okay. Another item listed is $2,500 for a 1984 employees' awards banquet. The audit review stated that "we believe

meals should not be provided to employees at award ceremonies, and that they are not essential for employee morale."

Mr. EMERY. Well, that is kind of a judgmental decision. You know, we negotiate with our employees, and we had a very unstable employee-employer relationship prior to my coming. I have met with the union.

I think we were averaging about a grievance a week. I do not think we have had any grievances that we have not handled internally. We had cases going to federal courts involving employees, which we have not had. We have promoted from within. We have got some esprit de corps again.

We have people who are producing for us. In our labor contract that we negotiated—it was a $500,000 saving to the corporation—and I felt, my judgment, that we ought to honor all the employees at the awards ceremony. We had a Christmas luncheon.

They came over in their work clothes, had lunch, went back to work, and it cost us $2,500. Frankly, I think it was a judgment call, and it was one that I felt was worthwhile.

We saved $500,000. It was essential for our employee morale, in my judgment. We are not doing it now. We have phased it down to——

Mr. PURSELL. That was a one-time expense?

Mr. EMERY. That was a one-time expense; yes, sir.

Mr. PURSELL. Well, I guess maybe there are some judgment calls and you make the decisions, but in light of what we are having to deal with, a deficit and the Gramm-Rudman, it just doesn't look good. Do those funds come out of our general fund?

Mr. EMERY. No, sir. They come out of our revenues, and we do not come to Congress for any money. As a matter of fact, I furnished to this committee a list of savings that we have incurred over the last two years, since I have been there, and we have had Gramm-Rudman in effect since I have gone on the job, and we have cut our expenditures and established our controls, and implemented some management controls to save money.

I think that it is in your packet. If not, we will be able to furnish it to you, a document of savings per item over the time that we have been there.

We are operating, in 1987, on basically the same budget that we operated with in 1984, in doing the repairs that we have done this year, and, I am confident we have met our goals.

Mr. PURSELL. But because of our problems with the weather, and the recent breakdown, where was that, at Lambert or——

Mr. EMERY. The Welland Canal.

Mr. PURSELL. At the Welland we have lost some revenues this year.

Mr. EMERY. We have lost some revenues, and the tonnage is down in grain exports. I mean, if the grain comes back because of the dollar decreasing, and because of our agricultural policies, and if Canadians can get back into the market, we are going to be back with that tonnage required, plus the fact that our trade missions I think have been successful, both last year and this year, and I am looking for some very positive growth.

EXTENDING SEAWAY SERVICE

Mr. PURSELL. There is another quick area, Mr. Chairman, and I will be finished. There has been some discussion, maybe promulgated by your office, regarding agreements with the trucking industry, and others, to give the Seaway a full calendar year service making it more competitive. Is that under study by any Congressional group, or is that just something you are exploring?

Mr. EMERY. It is very much in the exploratory stage. We have asked the ports to identify how much new cargo they can attract to the Seaway if we could guarantee a 12-month service.

And then we will cost that out, that if we get "X" million tons of new cargo, can we subsidize the rate for the three months that we are down, that was different? Very interesting. Fed Lakes, the new U.S. flag, that you are very familiar with in the Lakes, are now operating out of Baltimore.

It is my understanding they are giving the same rate, in the three months we are down, from Toledo, that they will give during the season.

So maybe this is working in the private sector and we do not have to get into it. But I think it is worthy of our exploration to see if we can generate new dollars.

Mr. PURSELL. Has the Seaway ever contracted with a railroad company or a trucking company?

Mr. EMERY. We have not as yet because we have not identified the cargo necessary to be——

Mr. PURSELL. There is no history of past experience in that area?

Mr. EMERY. No, sir.

Mr. PURSELL. Do you have any plans for any study money or research and development money to be used in this area?

Mr. EMERY. We are seeing if we can identify if there is new cargo; if there is no new cargo that we can generate—you know, we hear a lot about stay open 12 months because you will have all this new cargo; yet nobody has been able to pinpoint it for us. You know, likewise, this year, we are targeting April 3rd to open, and before we decided that, rather, on April 1st, we said, let us poll the trade to see whether there are any ships coming in April 1st or 2nd, and there were none. So, April 3rd is when we will open.

Every time we go to the trade, last year, when we were down—how long do you want us to stay open to bring the ships out? January 1st was long enough.

I mean, everybody said, you know, let's stay open till January 10th, January 15th, but all the ships that were going out were gone by the first.

So, it is a matter of trying to establish a means where we can identify that cargo, and as we move into our new trade initiatives, then I think we are going to run into people saying, "Hey, we'll ship with you but give us 12 months service."

Right now, with Fed Lakes, they are accommodating tha[t] are getting the same rate, as I understand it, from Toledo, [De]troit, or Milwaukee, to Europe on the off-season as they are [c]harging during the in-season. So they are including the land rate.

We have Yugoslav lines that announced in our trade mission they are coming back this year, for the first time in about six or

seven years, to give us regular service to the Mediterranean. Now we have got something to key on, to see whether they have that cargo to go during that period of time. So I think it is a matter of kind of wait and see, but we are prepared, if the dollars are there, if we can make some money, by subsidizing, to get new trade, that we are willing to take a look at it.

SEAWAY MODERNIZATION

Mr. PURSELL. Is any leadership under Brian Mulroney or Mr. O'Neil talking about modernizing their end of the Seaway, particularly the Welland Canal?

Mr. EMERY. Well, they are undertaking the same exercise that we are. We are hiring an engineering firm to go through ours, to see whether our maintenance is essential, whether we are doing everything we can.

They are doing the same thing in the Welland. They are doing the same thing in Lake Ontario and Montreal, with two separate engineering firms, to give them an independent report as to what they have to do.

Beyond that——

Mr. PURSELL. When will that study be finished?

Mr. EMERY. Well, our study will be about six months. The bids are out now. So we are looking probably for September-October, back to us. Their study is underway and I do not know when their completion date is, although I think it is sometime mid-summer.

Mr. PURSELL. Are your studies complementing what the Corps is doing now?

Mr. EMERY. Ours are just on the repair side.

Mr. PURSELL. Engineering and maintenance?

Mr. EMERY. What shall we do on engineering, and what shall we do on maintenance and capital repair.

Mr. PURSELL. But there is no effort, to your knowledge, of looking down the road as to, ultimately, what it would cost to modernize the Seaway?

Mr. EMERY. We are waiting for the Corps to come back with their—I think their proposal is due in 1987, and the lock—you know—either building new locks or twinning the locks.

Mr. PURSELL. Do you think we should wait for the Corps? They have been doing that study for——

Mr. EMERY. Well you know, 1987 is around the corner, so I do not think we could get anything back any quicker than that. What we are going to do is—and I think it is timely—and that is that both governments—and that is you gentlemen here today, and your colleagues, both in the Senate and the House, plus the administration. I think you have got to work with Canada to say, what is it that we want the Seaway to be five years from now or ten years from now?

Mr. PURSELL. Well, that is what I was asking about the Canadian part.

Mr. EMERY. Well, I think it is timely from the standpoint of capital improvement. I think it is timely from what do we do with tolls? I mean, the Canadians—and I do not want to pick on them—

but every time the tonnage is down they say raise the tolls, and it has got an adverse effect, in my opinion.

But I think what we have to do is, both governments have got to say—we have got probably, in today's dollars, a quarter of a billion dollar investment. What do we want that to be five years from now, ten years from now?

What does the Canadian government want? I do not think that is something I can solve at the operational level with the Canadian Seaway Authority. I think it is and I have noted recently——

Mr. PURSELL. Well, what is the purpose, Jim, of all the trade missions, all the promotion, all the marketing and so-called PR, if there is not any study on modernization, or where we are going to be five or ten years down the road?

Mr. EMERY. Well, we are operating today at about 50 percent of capacity, so, you know, we have got a long ways to pick that up before we go into modernization.

But I agree with you, you know, not only from the standpoint of modernization, but when we look at the Canadians subsidizing the railroads, that are taking cargo from Windsor in Detroit, to Montreal, bypassing the Seaway; now there is talk about moving the grain from Thunder Bay to Vancouver. How they can subsidize at one level and not put a nickel into their operation, you know, at the Seaway level, when both governments have a tremendous investment there.

So we are starting that process now, and I will start it up through the Secretary's level, and wherever the machine tends to take it, to determine, you know, what is the future from our government's standpoint?

We can operate on a day to day basis, and I think we have to go out and try to increase that tonnage now, because this study is going to be—you know how they are—it is a ways off; but we have got a gap here now, over the next five years, that we have got to stay solvent.

And when I look at the efforts of—I think last year—a 52 percent increase in general cargo, I attribute that to our marketing efforts because grain handles itself. But our marketing efforts——

Mr. PURSELL. I am not discounting those studies, marketing efforts and trade shows. I mean they are positive things that you can do while you are in sort of a holding position. But it seems to me that our committee, and the Congress, and your leadership, as well as Mrs. Dole, and others, need to look at the long-range needs of that Seaway.

Mr. EMERY. No question about it.

Mr. PURSELL. The system is over 26 years old now.

Mr. EMERY. 26 years old, and, you know, as I say, if we are going to look to raising the tolls every time tonnage goes down, we are going to price ourselves out, and then we are going to be like the barge canal in New York; we are going to be a pleasure craft system.

Mr. PURSELL. Then your morale will drop.

Mr. EMERY. That's when it drops. So, we are working on that right now, and I hope that you and your colleagues here have an impact on this.The Canadian government has appointed a group of members of parliament to look at the Seaway, and I think it is an

opportune time for us now to work with them, from your level, and say, "Let's both of us take a look at that."

Mr. PURSELL. Probably the pressure point will come from the leadership in Ontario because that is the biggest user, and forcefully with—they have done some modernization work already on the Seaway, and are hoping they could exert some national pressure.

Mr. EMERY. You know, Montreal sits there and they would just as soon have it all bypass the Seaway.

Mr. PURSELL. Thank you, Mr. Chairman.

Mr. LEHMAN. Thank you, Mr. Pursell.

EUROPEAN TRADE MISSION

Mr. LEHMAN. Mr. Emery, promotion of the Saint Lawrence Seaway appears to be a major focus of your administration of the Saint Lawrence Seaway Development Corporation.

You have established a number of marketing initiatives aimed at increasing trade and traffic on the Great Lakes-Saint Lawrence Seaway system. In fact, you have just returned from a second binational trade mission. The first trade mission—to Western Europe—was considered a "huge success". You led that first trade mission a little over a year ago. Has that mission generated any additional Seaway traffic from U.S. trade with these countries and, if so, how much and in what commodities?

Mr. EMERY. Well, our general cargo is up 52 percent, and that's basically from cargo being generated on the U.S. side. I've said for a long time that any growth in the system has to come from the U.S side, other than Canadian grain, because we have the industrial areas.

So, one, with the advent of the new U.S. flag in the lakes, they're handling a substantial amount of cargo, and putting their second ship in this year. At this year's trade mission, the Yugoslav Lines announced they're putting in a ship, for the first time in about seven or eight years, which will give us regular service to the Mediterranean. I think we can target and pinpoint that we have increased general cargo, heavy machinery, bulk items.

Our trade mission this year identified as our greatest potential coal. Coal sales to Italy, to Portugal and to Spain. We also want to sell to Yugoslavia.

We have started already a plan to enlist the help of members of Congress from the coal-producing states, West Virginia, Ohio, Pennsylvania. We're going to work with the railroads to try to get some sort of a plan to get that coal to the lakes where we can move it cheaper, and we're one day closer to the Mediterranean than other areas. So hopefully, we can put people together, people to work, and that we can increase our coal shipments.

Mr. LEHMAN. Your recent trade mission was targeted to Southern Europe. What was your itinerary for this mission, and would you please explain the basis for your decision to target these countries for your second mission?

[The information follows:]

The Southern European cities visited by the trade mission were Barcelona, Spain; Lisbon, Portugal; Rome, Italy; Genoa, Italy; and Split, Yugoslavia. These nations represented the second major competitive area for Seaway shipping, after Western

Europe. A study of industry information as well as statistical surveys of market potential were used to determine the locations.

Mr. LEHMAN. What did you accomplish on this mission, and how successful do you believe it was relative to the first mission? What type of traffic, i.e., commodity movements, do you hope to attract to the Seaway as a result of the Southern European trade mission?

[The information follows:]

The trade mission obtained its goals and objectives in the following ways:

Personal contact with current and potential system users.

Targeting of specific commodity and service interests.

A mutual exchange of information about the Seaway system.

Establishment of a mechanism for follow-up activities such as reciprocal overseas visits to the Seaway.

Enhancing the Seaway presence with overseas maritime interests.

Experience for planning additional marketing and trade mission projects.

Certainly the maximum potential commodity interest for Seaway traffic is export coal. Demand for grain cargoes focused on corn, soybeans and sunflower seeds. Import cargos from the Mediterranean nations visited include steel, foodstuffs, clothing and textiles, leather goods, machinery and vehicles such as the new Yugo automobile.

We were very pleased to have Yugoslav lines commit to reintroduction of break bulk liner service through the Seaway for 1986 which could also enhance container movements through the System.

Mr. LEHMAN. What was the total cost of the trade mission, and what was the Canadian Seaway Authority's share of that cost?

[The information follows:]

1985 trade mission

Total cost	$138,878.43
Canadian Seaway Authority share	37,926.65

UPRIVER OPERATIONS BASE

Mr. LEHMAN. In two recently completed audits, the DOT Inspector General questioned various Seaway Development Corporation expenditures amounting to more than $225,000. In one instance, the Inspector General determined that Seaway expenditures for renovation of a property leased from the Coast Guard were excessive and not properly justified, given the expected use of the facility.

For what activities will this facility be used, and what is your estimate of use in terms of total man-days for each activity? What is your estimate of annual cost-savings that the Seaway will realize?

[The information follows:]

The Corporation's upriver operations base will be used for the following purposes: dock facility for Corporation tugs and workboats, maintenance of navigation aids, oil spill response site, alternate lakes traffic control center, vessel speed surveillance site, government furnished accommodations and as a staging area for other federal agencies.

The Corporation estimates gross savings of $13,542 primarily for overnight accommodations, with net savings of $11,125 after accounting for the annualized cost of the renovations. The following is a breakout of the gross savings by activity: buoy run housing, 14 employees staying five nights, twice per year, $3,780; navigation aids maintenance, two employees, three trips and three nights per trip, $486; management conferences, twelve people, twice per year, $648; small meetings, one per month, seven people, $2,268; navigation incidents, twelve people for fifteen days, $4,860; and rental payment by Seaway employees, 15 weeks at $100 per week, $1,500.

RECEPTION AND REPRESENTATION EXPENDITURES

Mr. LEHMAN. The Inspector General also determined that the Seaway was misclassifying expenditures and, having done so, expenditures exceeded Congressionally mandated limits, requiring an anti-deficiency violation report.

In addition, the Inspector General questioned whether other expenditures should have been incurred. What were these expenditures, on what basis were they classified, and have you filed an anti-deficiency report?

In light of Gramm-Rudman efforts to moderate all federal spending, do you believe these types of expenditures can still be justified?

[The information follows:]

The Inspector General's report identified the following expenditures of a reception and representation nature charged to other accounts: Seaway 25th Anniversary reception, $3,899; limousine rental, $578; corsages, $107; invitations, $774; dinner for Seaway users, $535; press luncheons, $388; catering for reception, $380; and gifts, $208.

The Corporation charged these expenses to other accounts on the basis they were for trade and traffic development, rather than entertainment. The issue whether there was an Anti-deficiency Act violation is under consideration in the Department.

The Gramm-Rudman legislation is intended to reduce the federal budget deficit. Without regard to the wisdom of including Government Corporations under Gramm-Rudman, I would point out that, to the extent we increase revenues and reduce expenses, we contribute to deficit reduction. Expenditures for trade and traffic development are intended to increase our revenues.

PROCUREMENT REGULATIONS

Mr. LEHMAN. According to the Inspector General, you did not follow federal acquisition regulations in the procurement of various nonpersonnel services—there was no competitive bidding, no price justification, and no review by the Department's sole source review committee.

Why didn't you adhere to federal procurement regulations? Are the Seaway's procurement policy and procedures in conformance with all federal and DOT procurement regulations?

[The information follows:]

The justification for procurement of contracts without competitive bidding is based upon time constraints the new Administrator faced in reorganizing the Corporation as quickly and effectively as possible. In each case, the Corporation contracted with highly qualified professionals with years of experience in their fields.

We believe that the Corporation's procurement policies are within Corporation procurement regulations, federal guidelines and good business sense.

AIR CHARTER SERVICE

Mr. LEHMAN. The Inspector General reviewed your use of air charter services and, while they did not question surveillance and equipment transport flights, they did find that the use of air charters for transportation of employees was not properly justified in accordance with Department travel regulations, and that increased travel costs were incurred for travel to areas served by commercial airlines.

Are you still using charter services to transport employees?

[The information follows:]

The Corporation no longer uses private air charter services.

Mr. LEHMAN. How many flights for ice surveillance, for equipment transport, and for passenger transport were made in fiscal year 1985 using air charter service, what is the cost differential had commercial air service been used to transport passengers, and why do you feel the use of charter service to areas serviced by commercial airlines is justified?

[The information follows:]

The Inspector General's report identified 9 charter flights which involved carrying Seaway personnel to meetings and other functions that cost $12,000 more than commercial flights.

Due to safety and management requirements, as well as limited commercial service to Massena, the Corporation found it prudent and effective to make use of charter air service.

Policy and operational considerations dictate that half of the Corporation's senior managers are located in Washington and half in Massena. Coordination of Corporation activities requires a certain level of travel back and forth, especially for such events as Joint Staff meetings. There is really no way to get around this.

The Administrator's time is a valuable and limited commodity. Often his duties require him to be in several distant cities in the same day. Charter service enables him to keep these commitments and discharge the responsibilities of his office as effectively as possible. In effect, it allows him and the Corporation to get more done.

Mr. LEHMAN. The Inspector General also performed a review of a lease agreement that you entered into with an air charter corporation to provide air transportation on a 24-hour per day basis. According to the Inspector General, the lease was "negotiated sole source without adherence to procurement regulations, without adequate sole source justifications and without concern for Seaway internal contracting procedures."

The Inspector General also indicated that, given the 5-year period of performance of the contract, the lease would have required a minimum payment of $1.5 million.

Although this agreement has since been declared null and void, has the Seaway incurred costs under the agreement?

What are the total costs that have been incurred? What was your justification for entering into this lease agreement—can it be more cost effective than commercial airline service or justified for ice surveillance and equipment transport, and why didn't you adhere to procurement regulations?

[The information follows:]

The management of the St. Lawrence Seaway Development Corporation was aware that our Procurement office did not have the expertise to evaluate the lease of an aircraft. Management contacted an expert in the field of aircraft and requested a report on benefits accruing to such an expenditure.

Due to time limitations and the professional expertise needed for the safety of future users, the contract was not advertised but several reputable vendors were contacted. At the time the lease was signed, our professional expert indicated a lease of a used aircraft would be justified for the Corporation.

The Corporation made payments on the following dates for the lease of the aircraft: July 8 through August 7, 1985—$31,292.94; August 8 through September 7, 1985—$41,795.59; September 8 through October 7, 1985—$32,763,56; Settlement—$43,750.00.

SOLE SOURCE CONTRACTS

Mr. LEHMAN. For the record, please provide for fiscal years 1984, 1985, and 1986 a list of all sole source contracts. For each, show the dollar amount, the recipient, the reason why the contract was sole

source and whether the contract proposal was reviewed by the DOT sole source evaluation board.

[The information follows:]

SOLE SOURCE CONTRACTS
FOR FISCAL YEARS 1984, 1985 & 1986

Vendor	Invoice Amount	
Dallas R. Sweezy	$ 2,000	Time sensitive. Not reviewed.
Associated Consulting Services	5,000	Time sensitive. Not reviewed.
Carolyn E. Allen	2,500	Time sensitive. Not reviewed.
Joan Hagy	3,500	Time sensitive. Not reviewed.
R. J. Ellis	9,900	Time sensitive. Not reviewed.
Camil G. Maroun, Jr.	15,000	Time sensitive. Not reviewed.
Seaway Review Maple City Postal Sta. Michigan	19,200	Unable to obtain competition. Not reviewed.
The University of Iowa Iowa City, Iowa	17,500	Authorized or required by Statute. Not reviewed.
Seaway Review Maple City Postal Sta. Michigan	18,900	Unable to obtain competition. Not reviewed.
Brady Fence Co., Inc. Cold Brook, NY	4,348	100% Women-Owned, set-aside. Not reviewed.
ACEC Research & Management Foundation Washington, D.C.	59,830	Authorized or required by Statute. Not reviewed.
Thomsen Associates-Empire Soils Investigations, Inc. Groton, NY	30,000	Unable to obtain competition. Not reviewed.
Philadelphia Gear Corp. King of Prussia, PA	89,526	Only one responsible source. Not reviewed.

JUSTIFICATIONS

DEFERRED MAINTENANCE

Mr. LEHMAN. The Balanced Budget and Emergency Deficit Control Act of 1985 requires a $559,000 decrease in your operations expenses for fiscal year 1986.

What effect will this reduction have on the operation and maintenance of the Seaway? What, if any, maintenance will you have to defer to achieve the reduction?

[The information follows:]

The 1986 cuts mandated under the Balanced Budget and Emergency Deficit Control Act of 1985 will have little effect on operations. The Corporation's scheduled maintenance will not be deferred.

ESTIMATED EXPENDITURES

Mr. LEHMAN. In your fiscal year 1986 budget justification, you estimated fiscal year 1986 expenditures to be $13.2 million. In your fiscal year 1987 justification, your estimated fiscal year 1986 expenditures are $14.9 million. Can you explain this increase in estimated expenditures for fiscal year 1986?

Mr. EMERY. That was the three and a half million dollars that we requested special authority to increase our budget for the concrete repairs, for the painting of the vertical lift gate, and for the engineering studies.

Mr. LEHMAN. For fiscal year 1986, you estimate operating expenses at $12.7 million after Gramm-Rudman reductions—a 43 percent increase over fiscal year 1985 actual expenses.

For fiscal year 1987, you estimate operating expenses at $10.5 million, an 18 percent increase over 1985 and an 18 percent decrease from 1986. Can you explain this fluctuation in operating expenses—why is your estimate for 1986 almost $4 million higher than 1985 and more than $2 million higher than estimated for 1987?

[The information follows:]

The fluctuation in operating expenses for 1986 is due to the major extraordinary structural repair work that was undertaken at Eisenhower lock.

REPLACEMENTS AND IMPROVEMENTS

Mr. LEHMAN. Last year you provided a list of replacement and improvement projects that you planned to complete or that would be underway in fiscal year 1986, totalling $2.6 million. On page 2 of this year's justification your estimate for replacements and improvements is $1.5 million for fiscal year 1986 and $1.5 million for fiscal year 1987.

Does this mean you are deferring replacement and improvement projects? If so, what effect will this deferral have on Seaway operations?

Mr. EMERY. Okay, we dropped our 2.5 to the 1.5. But this was in conjunction with our engineering staff, and our maintenance staff, that some of those items—one was the extension of the guide wall. They didn't think that that was a high enough priority, so that we will now put that back in our capital plan for next year.

Mr. LEHMAN. As we discussed earlier, you have indicated that you intend to spend $3.3 million on concrete repair to the lower lock walls at Eisenhower Lock. Where is this expenditure reflected in your budget? Do you intend to use your capital reserves for this expenditure, in addition to the $1.4 million you intend to use for normal replacements and improvements? If so, what is your estimate of the remaining balance of capital reserves at the end of fiscal year 1987?

Mr. EMERY. I don't believe it's a lower lock; that's concrete repair to the interior, the lock walls, and—not the lower wall, the interior and some of the under-structure.

That was in—we asked this Committee and the Senate, and OMB earlier this year to give us a $3.5 million reapportionment, which was granted, and that work has been done out of that, which reflects in this year's budget.

The lower lock wall. It's the lock wall.

OTHER SERVICES

Mr. LEHMAN. In your fiscal year 1986 budget justification you estimated $1,016,000 for "other services" for fiscal year 1986. However, in your fiscal year 1987 justification, your estimate for fiscal year 1986 "other services" is $4,526,000—a 345 percent increase.

Can you explain this increase for fiscal year 1986 "other services"?

[The information follows:]

The other service line item in the budget justification reflects work done under contract for the Corporation. The difference between the 1986 justification and the 1987 justification is due to the estimated $3.4 million structural repair program undertaken during the winter of 1986.

Mr. LEHMAN. For the record, please provide a table similar to the one on page 434 of last year's hearing record, including an update for fiscal year 1986 "other services" and your estimate for fiscal year 1987.

[The information follows:]

ESTIMATED OTHER COSTS

	Fiscal year 1986 estimate	Fiscal year 1987 estimate
SLSA—tolls collections	$75,000	$75,000
Major rehabilitation contracts	3,400,000	.....
GAO audit	50,000	50,000
Insurance	50,000	50,000
Working capital fund	63,000	63,000
Training	120,000	120,000
Computer contract	60,000	60,000
Painting	150,000	150,000
Machine shop roof repair	.....	80,000
Repair of facilities	55,000	.....
Engineering studies	200,000	200,000
Trade and traffic	100,000	100,000
Miscellaneous repairs and service	80,000	80,000
Exhibit space	53,000	50,000
Comparative cost studies	70,000	70,000
Blacktop contract	.....	50,000
Maintenance service on equipment	40,000	40,000
Sewage sampling	20,000	20,000

ESTIMATED OTHER COSTS—Continued

	Fiscal year 1986 estimate	Fiscal year 1987 estimate
Film contract		50,000
Mapping	30,000	30,000
Advertising	35,000	35,000
	4,651,000	1,373,000

CONSULTING SERVICES

Mr. LEHMAN. According to information provided for our fiscal year 1985 hearing, you allocated $31,000 for unprogrammed consulting costs for fiscal year 1985. Did you spend any of the 1985 allocation for consulting services, and if so, for what?

[The information follows:]

The Corporation spent no funds on unprogrammed consulting contracts in fiscal year 1985.

Mr. LEHMAN. According to information provided for last year's hearing, the estimate for unprogrammed consulting services for fiscal year 1986 is $35,000. Do you intend to use consulting services this fiscal year, and if so, for what?

[The information follows:]

Consulting services may be utilized to fill the need for expert consultations on major issues such as cost benefit analyses, legal/litigation studies, medical and health studies and management data collection services.

Mr. LEHMAN. What amount have you estimated for unprogrammed consulting services in fiscal year 1987?

[The information follows:]

The Corporation has included a budget estimate of $35,000 for unprogrammed consulting services.

SUPPLIES AND MATERIALS

Mr. LEHMAN. According to information provided for last year's hearing, your estimate for expenditures for supplies and materials for fiscal year 1985 was more than $1 million, a significant increase over 1984. You indicated this was because you were doing more repair work, and in most instances were using your own people to do the work.

Actual expenditures for fiscal year 1985 were $735,000. Can you explain the decrease from the original estimate—did you do less repair work than anticipated, is the cost of supplies and materials decreasing, did you contract out for the work, or what?

[The information follows:]

Originally, the St. Lawrence Seaway Development Corporation had planned to do more repair work in 1985. In light of the major rehabilitation required, it was a management decision to take a closer look at the work to be accomplished. Based on the information gathered in 1985, a major rehabilitation project was undertaken in 1986.

Mr. LEHMAN. For the record, please provide a breakdown of your actual expenditures for supplies and materials for fiscal year 1985 and your estimate for fiscal years 1986 and 1987.

[The information follows:]

SUPPLIES AND MATERIALS

	1985 actual	1986 estimate	1987 estimate
Administrative	$40,000	$55,000	$55,000
Financial	29,000	35,000	35,000
Trade and traffic	112,000	115,000	120,000
Operations	624,000	750,000	776,000
	805,000	955,000	986,000

LAND AND STRUCTURES

Mr. LEHMAN. According to information provided for last year's hearing, the total cost of "land and structures" projects planned for fiscal year 1986 was $2.6 million. The estimate in this year's justification for planned "land and structures" projects for fiscal year 1986 is $907,000, almost $1.7 million less than your estimate last year.

What projects are you deferring, and what effect will that have on the operation of the Seaway?

[The information follows:]

Since the Corporation's plans are perodically adjusted to conform with actual revenues, it is difficult to compare the justification for 1986 vs. 1987. For example, we planned $340,000 for lock operating equipment improvements/replacements in 1986 and $100,000 in 1987. Also planned $63,000 for video transmission Snell/Snug Harbor/Eisenhower in 1986 and none in 1987 because the project was completed. Also planned $250,000 for building improvements in 1986 and none in 1987.

It was also decided to cancel the installation of flushing ports at Snell in 1986 for $250,000 and defer modifications and improvements at the Vista House for $300,000. Tainter valve improvements were reassessed to a $100,000 estimate instead of $200,000 and improvements to PCB transformers was deferred ($100,000). In addition, approximately $200,000 of navigation aid improvements and modifications was deferred. Improvement to paving and parking areas for $175,000 was deferred as not essential at this time.

Our capital outlay program plans are adjusted each year according to funds available, and the Corporation performs only the essential improvements to keep the system operating in a safe, efficient manner. This Corporation has always tried to keep all costs within funds available from the current year's revenue and reserve funds set aside for unanticipated decreases in revenue.

Mr. LEHMAN. For the record, please provide an updated list of your fiscal year 1986 and 1987 planned "land and structures" projects.

[The information follows:]

Planned land and structures projects, fiscal year 1987

Facility modifications and improvements	$977,000
Equipment, machinery and tools	523,000
	1,500,000

TRADE AND TRAFFIC DEVELOPMENT

Mr. LEHMAN. What was the total cost of your actual expenditures on trade and traffic development in fiscal year 1985, and what is proposed for fiscal years 1986 and 1987?

[The information follows:]

Trade and traffic development expenditures amounted to $736,823 in FY-1985. The estimate for FY-1986 is $920,913, and for FY-1987 the estimate is $900,000.

Mr. LEHMAN. What were your most significant trade and traffic development accomplishments during fiscal year 1985, and what effects have these accomplishments had with respect to attracting increased traffic on the Seaway?

Mr. EMERY. We have, in 1985, we actually started from zero, in trade and traffic development. We had no trade and traffic development. In 1985, we went from zero to this year where we have a budget of about $1 million.

That's opening up two regional offices, one in Toledo, that serves the eastern lakes, and one in Deerfield, Illinois, representing the western lakes.

There are two traffic specialists and a secretary in each of those offices. We have, in Washington, a grain specialist, another marketing analyst, here working with our director. So there's about 12 people now working in that section.

Secondly was our trade missions in both 1985 and 1986. That ran us about—if you include our shared expenses with Canada in 1985—about $700,000, I believe, for the personnel going, plus the shared expenses.

We have put out a brochure concerning grains on the system; we've put out a brochure on coal. We've put out another brochure that identifies all the ports in the system, and the advantages of using it.

We also paid for a film with Canada, which our cost was $60,000. So our total budget there is about $1 million in trade and traffic for this fiscal year.

Mr. LEHMAN. I just wonder what Canada is doing with all that grain if they're not shipping it?

Mr. EMERY. Storing it, I guess. It's a very serious problem, when grain accounts for 54 percent of our tonnage, and it falls off by 30 percent on the Canadian side, and they were accounting for about 70 percent of it; that's a very substantial loss to us. Both of us have to get back into the market. Unfortunately, we've taught people how to grow grain, and where we've wanted to sell it, they're now producing and exporting it.

Mr. LEHMAN Like India.

Mr. EMERY. Yes. And we went into Spain and Portugal this year on our trade mission. They're just joining the European Common Market. They were two countries that were buying grain from us. We're going to lose that. Now, soybeans, and soybean products are a highlight of what we picked up on the trade mission, that there is growth in that area. But until our grain policy is established, until somebody sells the grain, we're going to be hurting, because we are a bulk system, primarily to haul the grain out, while inbound cargo of iron ore or iron steel comes in. And if we don't have that two way traffic, we're going to have some future problems.

That's why I think coal is—I hope that I'm right. But from what we heard in Europe, working with our embassies and the foreign commercial service, and working with the Italians and the Spaniards, coal is our potential commodity, I believe.

Mr. PURSELL. I just have one question. Exports exceed imports by what percentage?

Mr. EMERY. We surprisingly run fairly even. You know, it doesn't reflect the balance of trade of the country and I think that's because of the bulk commodities that we handle, but we——

Mr. PURSELL. So you have just as many imports coming in on the Seaway?

Mr. EMERY. Just about in tonnage. But you know keep in mind, when iron ore fell off which was coming from Canada, then you didn't have the ships to take the grain out, so you started to get a slight imbalance. And then the iron and steel came in, and we picked back up but now with the embargoes on certain iron and steel products, that falls off and it doesn't give you the ship to take the grain out.

So we try to work very hard to get that two way shipment going so you've got about the same tonnage. Dollar value, I could get it for you, but I don't know the dollar value off hand. There probably is a trade imbalance with dollar value, but from tonnage value, it's about the same.

Mr. PURSELL. Thank you very much.

QUESTIONS SUBMITTED BY THE HONORABLE SILVIO O. CONTE

Mr. LEHMAN. I don't have any other questions.

Mr. Conte couldn't be here this afternoon, but he has some questions for you which we will submit.

TOLL SYSTEM

Mr. CONTE. Mr. Emery, you have recently proposed a long-term toll system, instead of basing tolls on year-to-year traffic patterns. How would such a system work, and what kind of bridge financing mechanism would be required in order to cushion variations in traffic from year to year?

[The information follows:]

My proposal to the St. Lawrence Seaway Authority is that we proceed with a joint long range plan outlining both U.S. and Canadian structural and financial needs. Such a plan should then be translated into a long range tolls tariff which gives industry the ability to plan shipping decisions over a longer period.

A sound plan should generate the needed revenues for the Seaway entities but avoid the threat of unknown year to year increases for industry. This will be a lengthy process which must be negotiated and we will be surveying industry opinion to support the U.S. position.

CANADIAN COAST GUARD USER FEES

Mr. CONTE. The Seaway Corporation recently declined to block a Canadian Coast Guard user fee proposal. As you may know, I have been pursuing user fees to help support our own Coast Guard. What can you tell me about the Coast Guard user fee proposal in Canada?

[The information follows:]

Since last October, a special committee of Canada's House of Commons has been conducting an in-depth public review of Bill C-75 that, among other things, would authorize the government to recover costs incurred by the Canadian Coast Guard in providing various navigation services. Introduced September 24 by Transport Minister Donald Mazankowski, C-75 subsequently survived its second reading on October

21st and was referred to the special legislative committee. Composed of 20 Members of Parliament (MP), the committee met first on October 22 to resolve various procedural and organizational matters. Four subsequent meetings—January 23 and 30 and Feburary 4 and 5—featured testimony from witnesses ranging from the Transport Minister himself to a variety of shipping and maritime interests, including port groups.

Much of the bill is noncontroversial. The sticking point, one that has evoked clamorous protest, is its Clause 4, which would amend the Shipping Act to state: "For the purpose of defraying the cost of navigational services provided by the Canadian Coast Guard, the Governor in Counsel may make regulations respecting charges relating to those services, including, without limiting the generality of the foregoing, aids to navigation, dredging, vessel traffic services, ice breaking services, and escorting services." Those charges would be imposed on "a ship or vessel" regardless of whether a specific service was actually provided "that particular ship or vessel." The clause does not define how charges are to be collected, the nature of specific charges, nor establishes any limit on the amount to be collected. The Canadian Coast Guard's budget this year stands at C$824 million.

When the Transport Minister spoke to the committee on March 12, he indicated the government had decided to exclude "facilities" (e.g. capital costs) from the wording of the amended clause. He also stated that the government would be seeking to recover $20 million in Coast Guard costs through the user-fee mechanism, or about seven percent of the agency's total operating costs. That would be well below the 15 percent he had suggested earlier as a likely cap. However, even with those assurances, as critics emphasized, there is nothing in Clause 4 that would prevent a successor minister from seeking substantially more—potentially 100 percent recovery if it were desired.

WELLAND CANAL ACCIDENT

Mr. CONTE. What is your estimate of the effect on traffic from the cave-in at the Welland Canal?

Are shippers going to be concerned about having cargo stuck again?

[The information follows:]

Although shippers undoubtedly will be aware of the recent problems that Canada has experienced, traffic levels should not be affected. Both the Canadian Authority and the U.S. Seaway Corporation are undertaking major maintenance projects in an attempt to avoid future shutdowns.

GRAMM-RUDMAN

Mr. CONTE. What has been the impact on Seaway operations of the March 1st Gramm-Rudman reduction?

[The information follows:]

The FY-1986 Gramm-Rudman reduction did not have a major impact on Seaway operations. By carefully monitoring our costs, the Corporation will be able to operate normally within the reduced budget.

INSPECTION AND MAINTENANCE PROCEDURES

Mr. CONTE. Have you made any changes in your inspection or maintenance procedures in light of the Seaway accidents this past year?

[The information follows:]

The Corporation has not found it necessary to implement changes in its normal inspection and maintenance procedures. However, the Corporation has gone forward with a major concrete repair project at Eisenhower lock in FY-1986. Also, the Corporation is working toward preparing a final detailed rehabilitation plan for Eisenhower and Snell locks.

TYPICAL TOLL COSTS

Mr. CONTE. Could you give us some estimate of the typical toll various standard types of ships would pay to go the length of the Seaway? How do those rates compare to comparable rates at other canals throughout the world, including the Panama Canal?

[The information follows:]

Lykes Bros. indicates one of their Seaway-size vessels would incur an estimated $40,000 in tolls for a typical roundtrip through the Seaway. The same vessel toll costs for the Panama Canal would be $42,000; Suez $90,000 for a roundtrip in each case.

CONCRETE DETERIORATION

Mr. CONTE. I have seen pictures of the deteriorating concrete in the culverts of the Eisenhower Lock. How extensive is the damage, and what will it cost to repair it?

[The information follows:]

In February of 1985, the Buffalo District of the Army Corps of Engineers submitted a reconnaissance report for rehabilitation of Eisenhower and Snell locks to the Seaway Corporation. The report calls for the following concrete repairs to Eisenhower lock: 21 lock wall monoliths, vertical lift gate recesses, bulkhead and culvert value seal beams, valve anchorage seats and diffuser parts and laterals.

The estimated cost for concrete repair is $5 million.

COST OF LOCK REPAIR

Mr. CONTE. What is the total estimated cost of the five-year program to repair the Eisenhower and Snell Locks? Where is that money going to come from? Does the Administration support such an approach?

[The information follows:]

The Buffalo District Corps of Engineers Reconnaissance report estimated $39.2 million to repair the Eisenhower and Snell locks. The source of funding for the repair work has not been determined.

The Corporation is contracting for a detailed engineering plan for rehabilitating both locks. The report should be available by October 1986. Based on the information provided by the report, the Corporation will be able to pursue funding options.

TRAFFIC PROJECTIONS

Mr. CONTE. What are your long-term traffic projections for the Seaway, and how do you anticipate your traffic mix will change over time?

[The information follows:]

Current traffic projections through 1990 indicate annual average increases ranging between 2 percent to 5 percent. No significant adjustment in commodity mix is anticipated. Grain shipments are expected to represent 50 percent or better of annual tonnage volume.

CONRAIL SALE

Mr. CONTE. Would you anticipate any effect on Seaway traffic or operations resulting from a possible sale of Conrail?

[The information follows:]

Our industry contacts do not foresee the Conrail sale as having specific adverse impact on the Seaway system. Concerns of individual shippers and other rail carriers seem focused on continued rail service and competition among rail carriers. Deregulation of the rail industry in total is probably the most significant action which

intensified the traditional competition between the Seaway and rail routes to the Atlantic ports.

OMNIBUS WATER LEGISLATION

Mr. CONTE. Would you anticipate any effect on Seaway traffic or operations resulting from passage of the omnibus water resources authorization measure, which would increase user fees for inland barge operators?

[The information follows:]

The effect on Seaway traffic and operations cannot be predicted until a final bill is sent to the President for signature. The House Omnibus Water Bill (HR-6) and the Senator Bill (S-1567) include provisions which would treat the Seaway tolls very differently.

If the Senate version were to become law, the Seaway Corporation would receive operating funds from a harbor maintenance trust fund rather than from tolls paid by Seaway users. The change in funding could have a major impact on operations and service to seaway users.

The provisions of both House and Senate bills, which increase user fees for inland barge operations, would have little effect on Seaway operations or traffic levels.

Mr. CONTE. Would you expect any effect on Seaway traffic or operations if some of the major projects authorized in the omnibus water resources bill—projects like Gallopolis, for example—move forward?

[The information follows:]

The House Omnibus Water Bill (HR-6) contains language which authorizes rehabilitation of both Eisenhower and Snell locks. If the language appears in the final version of the bill and funding is approved, Seaway traffic and operations would receive a shot in the arm. Other than rehabilitating the locks, other projects authorized in the bill would not affect the Seaway.

Mr. LEHMAN. We want to thank you gentlemen for coming here today. If there is nothing further, the Subcommittee will be adjourned.

TUESDAY, MARCH 11, 1986.

PANAMA CANAL COMMISSION

WITNESSES

WILLIAM R. GIANELLI, SPECIAL ASSISTANT TO THE SECRETARY OF DEFENSE FOR PANAMA CANAL AFFAIRS AND CHAIRMAN, BOARD OF DIRECTORS, PANAMA CANAL COMMISSION

DENNIS P. McAULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION

RICHARD O. BURGOON, CHIEF FINANCIAL OFFICER

MICHAEL RHODE, JR., SECRETARY

Mr. LEHMAN. The Subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1987 budget requests for the Panama Canal Commission.

Our principal witnesses today are Mr. William R. Gianelli, Special Assistant to Secretary of Defense for Panama Canal Affairs, and Chairman, Board of Directors; and Mr. Dennis P. McAuliffe, the Administrator.

Mr. Gianelli, we will be pleased to hear your statement at this time. Then, Mr. McAuliffe, we will hear your statement.

You may both read your statements, or if you would prefer to summarize them, we shall insert both of your statements in the record.

STATEMENT OF BOARD CHAIRMAN

Mr. GIANELLI. Thank you very much, Mr. Chairman. Mr. Chairman, for the record, I am William R. Gianelli. I am Chairman of the Board of the Panama Canal Commission. I am pleased to appear before you today to request appropriations for the fiscal year 1987 budget programs of the Panama Canal Commission, and as you indicated, Mr. Chairman, participating with me is Mr. Dennis P. McAuliffe, on my left, who is the Administrator, and Mr. Michael Rhode, Jr., on my right, who is the Secretary of the Commission. And Mr. Richard Burgoon, on my extreme left, who is the Chief Financial Officer of the Commission.

We have other members of the staff in the audience, also present, to assist in responding to any questions which you and the committee may have, Mr. Chairman.

With your permission, Mr. Chairman, as you indicated, I would like to summarize my remarks and request that my entire statement be printed in the record. Thank you very much.

I wanted to affirm that the Administration has approved the budget submission of the Commission. It is in accord with the program of the President.

We believe that enactment of this budget will allow the Canal to continue to be operated efficiently and to serve world commerce, as they have grown to expect from the Canal.

APPROPRIATION REQUEST

First of all, with respect to the appropriation request, the Panama Canal Commission is requesting an appropriation for fiscal year 1987 of some $437.3 million. This includes $409.8 million for operating expenses, and $27.5 million is for the capital program.

Mr. McAuliffe will address this request in more detail, but I wanted to point out that the funds are to be appropriated from the General Fund of the Treasury rather than the Special Panama Canal Commission Fund.

This funding method is proposed to resolve the cash flow problem and to also transfer the interest from the Special Fund to the General Fund, and to repay to the Treasury Fund the remainder of the funds advanced for the Commission's operation in fiscal year 1980.

Under the current Panama Canal Commission Fund procedure, the Canal cannot expend funds until approximately six weeks after they have been deposited in the Special Fund.

The $85.6 million unreimbursed balance and the accumulated interest is needed to ensure sufficient operating funds for the first six weeks of each fiscal year, while revenues were earned and credited to this fund.

We have gone on record that without the funding authority associated with these two items, the Commission would be unable to operate effectively under the special fund format.

Frankly, it is our concern that we will lose this needed funding authority that has motivated our seeking to be brought under the general fund, as we have indicated today.

The language changes proposing elimination of the Panama Canal Commission Fund, and the transfer of all Commission revenues into the General Fund of the Treasury, will solve the cash flow problem of the Commission.

It will not, however, alter the underlying principle that the Canal operates at no cost to the U.S. taxpayer. The Commission will continue to set toll rates to recover all of the costs of operating and maintaining the Canal. A comment, Mr. Chairman, with respect to the fiscal year 1986 supplemental request.

1986 SUPPLEMENTAL REQUEST

Mr. Chairman, there are two aspects of our fiscal year 1986 supplemental request of which I wish to make you aware.

As in the case of the fiscal year 1987 budget request, Mr. McAuliffe will address this subject in more detail. However, preliminarily, I want to point out that a portion of the request covers the cost of certain claims for vessel accidents.

These have occurred in the Canal since fiscal year 1980, which heretofore could not be settled by the Panama Canal Commission itself.

Public Law 99-209 gave the Commission the responsibility to settle claims in excess of $120,000 for vessel accidents occurring outside the locks.

Funds have been set aside to pay these claims, so what we are doing is, simply asking that they be appropriated, so that we may proceed to follow the requirements of the law as it now exists.

The remainder of the supplemental provides for the payment of our fiscal year 1985 profit to Panama under the terms of the treaty.

CONCLUSION

In conclusion, Mr. Chairman, the operating and capital budgets for 1987 will allow us to continue operating the Canal in a safe and efficient manner, we believe. It will also allow us to make essential investments in the Canal to ensure that it continues to serve world commerce.

We appreciate the assistance received from this committee over the years. It certainly has been instrumental in the successful operation of the Panama Canal.

Mr. Chairman, that concludes my summarized statement. I recommend, with your approval, that Mr. McAuliffe present his summary statement, and then we both will be available to answer questions which you and the committee may have. Thank you, Mr. Chairman.

[The statement of Mr. William R. Gianelli follows:]

PANAMA CANAL COMMISSION

BUDGET APPROPRIATION REQUEST

FISCAL YEAR 1987

STATEMENT OF THE

SPECIAL ASSISTANT TO SECRETARY OF DEFENSE

FOR PANAMA CANAL AFFAIRS AND

CHAIRMAN, BOARD OF DIRECTORS

PANAMA CANAL COMMISSION

BEFORE THE

TRANSPORTATION SUBCOMMITTEE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 11, 1986

OPENING STATEMENT

OF

MR. WILLIAM R. GIANELLI

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM WILLIAM R. GIANELLI, SPECIAL ASSISTANT TO SECRETARY OF DEFENSE FOR PANAMA CANAL AFFAIRS AND CHAIRMAN OF THE BOARD OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO REQUEST APPROPRIATION FOR THE FISCAL YEAR 1987 BUDGET PROGRAMS OF THE PANAMA CANAL COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL. PARTICIPATING WITH ME IN THIS HEARING ARE DENNIS P. MCAULIFFE, THE ADMINISTRATOR OF THE COMMISSION; MICHAEL RHODE, SECRETARY OF THE COMMISSION; AND RICHARD BURGOON, CHIEF FINANCIAL OFFICER.

AT THE OUTSET, MR. CHAIRMAN, I WANT TO THANK YOU AND THE OTHER MEMBERS OF THE SUBCOMMITTEE FOR THE ASSISTANCE RECEIVED OVER THE YEARS WITH PASSAGE OF IMPORTANT LEGISLATION AFFECTING THE MANAGEMENT AND OPERATION OF THE WATERWAY, SUCH AS THE MARINE ACCIDENT LEGISLATION THIS PAST FISCAL YEAR.

MR. CHAIRMAN, I WANT TO AFFIRM THAT THE ADMINISTRATION HAS APPROVED THE BUDGET SUBMISSION OF THE COMMISSION AND THAT IT IS IN ACCORD WITH THE PROGRAM OF THE PRESIDENT. WE BELIEVE THAT ENACTMENT OF THIS BUDGET REQUEST WILL ALLOW THE CANAL TO CONTINUE TO BE OPERATED EFFICIENTLY IN PROVIDING SERVICE TO WORLD COMMERCE.

APPROPRIATION REQUEST

WE ARE REQUESTING AN APPROPRIATION FOR FISCAL YEAR 1987 OF $437.3 MILLION. PERMIT ME TO POINT OUT THAT THESE FUNDS ARE TO BE APPROPRIATED FROM THE GENERAL FUND OF THE TREASURY RATHER THAN THE SPECIAL FUND. THIS CHANGE WILL ALLOW THE COMMISSION TO OPERATE IN A MANNER SIMILAR TO ANY OTHER U.S. GOVERNMENT AGENCY. YOU WILL RECALL THAT IN ORDER TO OPERATE UNDER THE SPECIAL FUND ARRANGEMENT THE COMMISSION WAS REQUIRED TO HAVE ON HAND SUBSTANTIAL FUNDING RESERVES, INCLUDING THE INTEREST DEPOSITED IN OUR SPECIAL FUND AND THE $85 MILLION REMAINING FROM THE FIRST YEAR GENERAL FUND APPROPRIATION. THESE FUNDING RESERVES THROUGH THE YEARS HAVE BEEN THE SUBJECT OF CONSIDERABLE DEBATE AND CONTROVERSY. THE ELIMINATION OF THE PANAMA CANAL COMMISSION FUND, WITH RECEIPTS GOING INTO AND APPROPRIATIONS COMING FROM THE GENERAL FUND, SHOULD PLACE THE CONTROVERSY ON THIS ISSUE TO REST. THE COMMISSION, HOWEVER, WILL DEPOSIT RECEIPTS IN A PROPRIETARY RECEIPT ACCOUNT IN TREASURY. THUS, THE COMMISSION'S EXPENSES WILL STILL BE OFFSET BY RECEIPTS.

IN CONVERTING THE FUNDING SOURCE OF THE COMMISSION TO THE GENERAL FUND, NONE OF THE BASIC FINANCIAL PRINCIPLES GOVERNING THE CANAL OPERATION WILL CHANGE. THE CANAL MUST CONTINUE TO OPERATE AT NO COST TO THE U.S. TAXPAYER. IT WILL STILL BE REQUIRED TO SET TOLL RATES TO RECOVER ALL THE COSTS OF OPERATING AND MAINTAINING THE CANAL AND APPROPRIATIONS WILL STILL BE LIMITED TO THE LEVEL OF REVENUE RESOURCES. HOWEVER, THE COMMISSION WILL NOW BE ABLE TO OPERATE ON THE FIRST DAY OF THE FISCAL YEAR WITHOUT REQUIRING HIGHER BALANCES ON HAND.

BOARD ACTIVITIES

DESPITE THE BI-NATIONAL COMPOSITION OF THE COMMISSION'S BOARD, WE HAVE BEEN ENJOYING A SPIRIT OF COOPERATION WHICH, I MIGHT ADD, HAS INCREASED STEADILY. WE HAVE DEALT WITH A NUMBER OF SIGNIFICANT ISSUES OVER THE YEARS, AND ALTHOUGH WE HAVE DIFFERENCES, I BELIEVE BOTH SIDES HAVE THE BEST INTERESTS OF THE CANAL AS THEIR PRIMARY OBJECTIVE.

ONE OF THE SIGNIFICANT ITEMS THE BOARD HAS RECENTLY UNDERTAKEN IS A STUDY TO DETERMINE THE FEASIBILITY OF WIDENING THE NARROWEST PORTION OF THE CANAL. THIS STUDY IS ON-GOING AND INVOLVES EXAMINING THE TECHNICAL, OPERATIONAL, ENVIRONMENTAL, ECONOMIC AND FINANCIAL RAMIFICATIONS OF WIDENING GAILLARD CUT TO PERMIT UNINTERRUPTED TWO-WAY TRAFFIC OF LARGE VESSELS. CURRENT CHANNEL CONFIGURATIONS IN THIS AREA RESTRICT WIDE-BEAM VESSELS TO ONE-WAY PASSAGE, LIMITING CANAL CAPACITY. NO COMMITMENTS TO A CUT-WIDENING PROJECT HAVE BEEN MADE; RATHER, THE COMMISSION IS SIMPLY PURSUING AN OVERALL EVALUATION OF THE FEASIBILITY OF THE PROJECT. ONCE THE STUDY HAS BEEN COMPLETED, IT WILL BE PRESENTED TO THE COMMISSION'S BOARD FOR ITS REVIEW AND CONSIDERATION.

PAYMENTS TO PANAMA

IN THE CURRENT BUDGET, OUR REQUEST PROJECTS THAT THE NET TONNAGE RATE PAYABLE TO PANAMA WILL INCREASE FROM THIRTY-ONE CENTS PER PANAMA CANAL NET TON TO AN ESTIMATED THIRTY-THREE CENTS EFFECTIVE OCTOBER L986. THE NET TONNAGE PAYMENT INCLUDED IN OUR 1987 APPROPRIATIONS REQUEST IS BASED ON THIS ESTIMATED REVISED RATE. AN ADJUSTMENT IN THE RATE IS MANDATED BY ARTICLE XIII, PARAGRAPH 4.A. OF THE PANAMA CANAL TREATY, WHICH PROVIDES FOR REVISION OF THE RATE EVERY TWO YEARS BASED ON INFLATION. THE FIRST ADJUSTMENT TOOK PLACE AS PRESCRIBED IN 1985, FIVE YEARS AFTER THE ENTRY INTO FORCE OF THE TREATY; AND THIS CONSTITUTES THE SECOND ADJUSTMENT. INFLATION IS BE MEASURED BY THE CHANGES IN THE UNITED STATES WHOLESALE PRICE INDEX FOR TOTAL MANUFACTURED GOODS.

FY 1986 SUPPLEMENTAL REQUEST

MR. CHAIRMAN, THE COMMISSION IS REQUESTING SUPPLEMENTAL FINANCING IN FISCAL YEAR 1986 AMOUNTING TO $25.6 MILLION. MR. MCAULIFFE WILL ALSO COMMENT ON THIS REQUEST BUT, I WANT TO TOUCH UPON THE SIGNIFICANT ITEM INCLUDED IN THIS REQUEST--$24.5 MILLION ASSOCIATED WITH THE RECENT CHANGE IN THE COMMISSION'S TREATMENT OF MARINE ACCIDENTS.

ON DECEMBER 23, 1985, THE PRESIDENT SIGNED THE PANAMA CANAL AMENDMENTS ACT OF 1985 (PUBLIC LAW 99-209) WHICH MODIFIES THE RESPONSIBILITY OF THE PANAMA CANAL COMMISSION FOR DAMAGES CAUSED TO VESSELS OR THEIR CARGO, CREW, OR

PASSENGERS WHILE PASSING THROUGH THE PANAMA CANAL. WITH THIS CHANGE, THE COMMISSION CAN NOW RESOLVE CLAIMS FOR VESSELS DAMAGED OUTSIDE THE LOCKS IN THE SAME MANNER AS THOSE VESSELS DAMAGED INSIDE THE LOCKS.

IN ANTICIPATION OF THIS EVENTUALITY, THE COMMISSION HAS BEEN RESERVING REVENUES THROUGH THE YEARS TO COVER LIABILITIES FOR THESE ACCIDENTS. ACCORDINGLY, RESOURCES ARE AVAILABLE IN THE PANAMA CANAL COMMISSION FUND TO SETTLE SUCH CLAIMS AND APPROVAL OF THE REQUEST OF $24.5 MILLION WILL ALLOW THE COMMISSION TO DO SO. I WOULD LIKE TO REITERATE OUR APPRECIATION TO THE COMMITTEE AND ITS MEMBERS FOR THEIR INTEREST AND PERSEVERANCE IN MAKING THE MARINE ACCIDENT CHANGE POSSIBLE. THE CHANGES EMBODIED IN THE NEW LAW WILL ENABLE THE COMMISSION TO BE MORE RESPONSIVE TO OUR CUSTOMERS, THE SHIPPING COMMUNITY.

CONCLUSION

IN CLOSING, MR. CHAIRMAN, THE BUDGET PROGRAMS WE HAVE SUBMITTED FOR YOUR APPROVAL WILL ENABLE US TO CONTINUE TO FULFILL OUR MISSION TO OPERATE THE PANAMA CANAL IN A SAFE, EFFICIENT MANNER AND AT NO COST TO THE U.S. TAXPAYER. THE REQUESTED CAPITAL INVESTMENT IS ESSENTIAL TO OUR MODERNIZATION EFFORTS AS WE SEEK TO ENSURE THAT THE CANAL IS A VIABLE, COST-EFFECTIVE TRANSPORTATION ALTERNATIVE FOR MARITIME TRADE. WITH YOUR HELP, WE WILL CONTINUE OUR EFFORTS TO PROVIDE RELIABLE SERVICE TO WORLD SHIPPING.

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED REMARKS. I RECOMMEND THAT MR. MCAULIFFE BE ALLOWED TO PRESENT HIS STATEMENT, AND THEN WE BOTH WILL BE AVAILABLE FOR QUESTIONS.

STATEMENT OF ADMINISTRATOR

Mr. MCAULIFFE. Thank you, Mr. Chairman. I am Dennis Philip McAuliffe, the Administrator of the Panama Canal Commission.

I am pleased to appear before you today with the Honorable William R. Gianelli to request appropriations for the fiscal year 1987 budget programs of the Panama Canal Commission, the agency responsible for the operation of the Panama Canal.

I join with Mr. Gianelli in expressing appreciation for the assistance received from this committee, and its Members, on behalf of the Panama Canal.

I propose to enter my full statement into the record and to summarize it at this time.

GENERAL OUTLOOK

Over the last six years, the impact of the treaty upon the Panama Canal organization has been enormous. During this period, the Commission has witnessed some sweeping governmental, administrative and economic events.

We have seen a change in responsibility from one country to another for the civil government of the area encompassing the Canal; a complete reorganization of the Canal operating agency; and a diversion of a significant segment of Canal traffic to another transportation alternative.

Despite these changes, I am pleased to report that the Canal is functioning well, from both operational and financial points of view. I am optimistic about the operation of the Canal for the future.

1985 FINANCIAL RESULTS

The financial operating results for 1985 reflect essentially a break-even operation with total revenues of $406.7 million, exceeding expenses by only $1.1 million.

This modest operating profit will be payable to Panama under the treaty provisions and is requested in our budget submission as a 1986 supplemental.

Since its inception in 1979, the Panama Canal Commission has operated, maintained, and improved the Canal without cost to the U.S. taxpayer, covering all expenditures with revenues.

Direct treaty payments have been made to the Republic of Panama in the aggregate of some $446.1 million over those six years, all covered with revenues also.

OUTLOOK FOR TRAFFIC

In contrast to the low traffic levels experienced in 1985, traffic levels during the first few months of the present fiscal year have been strong.

It is possible that the budgeted figure of $311 million may be exceeded. Tolls income in 1987 could also exceed the $312 million level anticipated in the President's budget.

This traffic performance reflects a number of factors. Transits by automobile carriers have been on the upswing. There has been a strong performance of the grain, petroleum, and petroleum prod-

ucts trades. Grain and crude oil shipments have reached their highest levels in two years.

The growth in 1987 assumes that container trade will continue strong, grain shipments will increase moderately, and most other trades will continue to improve.

We will be monitoring traffic trends very closely, and, if the high levels are sustained, it may be necessary for the Commission to seek additional budget authority in 1987 to handle this increased workload demand.

COMPOSITION OF WORKFORCE

In keeping with the treaty objective of increasing Panamanian participation in the Canal's operation, the Commission has actively pursued employment and training programs which are designed to hire, train, and place qualified Panamanian citizens throughout the organization.

As a result, we are seeing changes in the composition of the Commission's work force. For example, on October 1st, 1979, the effective date of the new treaty, the Panamanian segment accounted for some 69 percent of the total permanent work force.

By October 1985, that segment had increased to 80 percent. The Commission's permanent work force totals around 7500 full time employees, or 8300 full-time work years. Of interest also is the fact that, at the higher managerial and technical levels, we have seen nearly a 70 percent increase over the 1979 levels.

APPROPRIATION REQUEST

The appropriation request for the Panama Canal Commission in fiscal year 1987 totals $437.3 million. This includes $409.8 million for operational requirements during the year, and $27.5 million for capital equipment and construction, to remain available until expended.

OPERATING EXPENSES

The appropriation requested for operating expenses in fiscal year 1987 is $409.8 million. The major cost components of this total include $194.7 million for personnel compensation, $77.8 million for treaty payments to Panama, and $56.2 million for supplies and materials.

The appropriation requested for 1987 represents an increase of 3 percent over the amount appropriated for operations in 1986.

Most of this increase reflects the effects of cost escalations on our operations.

CAPITAL PROGRAM

The Commission's capital program reflects $27.5 million in budget authority for 1987, directed primarily at transit-related improvements.

The Commission's projects are designed to augment programs already underway to ensure the continued safe, efficient operation of the waterway.

SUPPLEMENTAL REQUEST

Mr. Gianelli has already touched upon the Commission's supplemental request of $25.6 million. The major portion of this request, some $24.5 million, is related to the recent change in the law for handling marine accidents authorized under Public Law 99-209.

The second item included in the request is $1.1 million, which will allow the Commission to pay the Government of Panama the obligations arising from the 1985 operating profit.

While this payment amount is subject to change, inasmuch as the General Accounting Office has not yet completed its financial audit, we do not expect the amount to change significantly.

Resources are available in the Panama Canal Commission Fund to cover these two supplemental requirements.

CONCLUSION

In conclusion, the Panama Canal Commission is committed to providing reliable, efficient service to world shipping.

Mr. Chairman, that concludes a summary of my prepared remarks. I shall be pleased to join with Mr. Gianelli in answering any questions that you or other Members of the committee may have.

[The statement of Mr. Dennis P. McAuliffe follows:]

PANAMA CANAL COMMISSION

BUDGET APPROPRIATION REQUEST

FISCAL YEAR 1987

STATEMENT OF THE

ADMINISTRATOR, PANAMA CANAL COMMISSION

BEFORE THE

TRANSPORTATION SUBCOMMITTEE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 11, 1986

59-731 O—86——17

INTRODUCTION

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM DENNIS PHILIP MCAULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY WITH THE HONORABLE WILLIAM R. GIANELLI TO REQUEST APPROPRIATION FOR THE FISCAL YEAR 1987 BUDGET PROGRAMS OF THE PANAMA CANAL COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL.

I JOIN WITH MR. GIANELLI IN EXPRESSING APPRECIATION FOR THE ASSISTANCE RECEIVED FROM THIS COMMITTEE AND ITS MEMBERS ON BEHALF OF THE PANAMA CANAL.

GENERAL OUTLOOK

OVER THE LAST SIX YEARS, THE IMPACT OF THE TREATY UPON THE PANAMA CANAL ORGANIZATION HAS BEEN ENORMOUS. DURING THIS PERIOD, THE COMMISSION HAS WITNESSED SOME SWEEPING GOVERNMENTAL, ADMINISTRATIVE AND ECONOMIC EVENTS--MORE THAN MOST ORGANIZATIONS WILL EVER EXPERIENCE IN THEIR LIFETIME. TO MENTION A FEW, WE HAVE SEEN A CHANGE IN RESPONSIBILITY FROM ONE COUNTRY TO ANOTHER FOR THE CIVIL GOVERNMENT OF THE AREA ENCOMPASSING THE CANAL; A COMPLETE REORGANIZATION OF THE CANAL OPERATING AGENCY; AND A DIVERSION OF A SIGNIFICANT SEGMENT OF CANAL TRAFFIC TO ANOTHER TRANSPORTATION ALTERNATIVE. DESPITE THE

ENORMITY OF THESE CHANGES ON OUR PEOPLE AND THE ORGANIZATION, I AM PLEASED TO REPORT THAT THE CANAL IS FUNCTIONING WELL, FROM BOTH OPERATIONAL AND FINANCIAL POINTS OF VIEW. I AM OPTIMISTIC ABOUT THE OPERATION OF THE CANAL FOR THE FUTURE.

FY 1985 FINANCIAL RESULTS

THE FINANCIAL OPERATING RESULTS FOR 1985 REFLECT ESSENTIALLY A BREAKEVEN OPERATION WITH TOTAL REVENUES OF $406.7 MILLIONS EXCEEDING EXPENSES BY ONLY $1.1 MILLION. THIS MODEST OPERATING PROFIT WILL BE PAYABLE TO PANAMA UNDER TREATY PROVISIONS AND IS REQUESTED IN OUR BUDGET SUBMISSION AS A 1986 SUPPLEMENTAL.

A TOTAL OF $72.8 MILLION IN TREATY-RELATED PAYMENTS WAS MADE TO THE REPUBLIC OF PANAMA IN FISCAL YEAR 1985. THESE INCLUDED A NET TONNAGE PAYMENT OF $52.8 MILLION, A FIXED ANNUITY PAYMENT OF $10.0 MILLION, AND A PUBLIC SERVICES REIMBURSEMENT OF $10.0 MILLION. THE TONNAGE PAYMENT WAS CALCULATED ON THIRTY-ONE CENTS PER PANAMA CANAL NET TON TRANSITED. SINCE INCEPTION IN 1979, THE PANAMA CANAL COMMISSION HAS OPERATED, MAINTAINED AND IMPROVED THE CANAL WITHOUT COST TO THE U.S. TAXPAYER, COVERING ALL EXPENDITURES WITH REVENUES. DIRECT TREATY PAYMENTS HAVE BEEN MADE TO THE REPUBLIC OF PANAMA IN THE AGGREGATE OF SOME $446.1 MILLION OVER THOSE SIX YEARS, ALL COVERED WITH REVENUES ALSO. INCLUDED IN THAT AMOUNT ARE $6.9 MILLION OF CONTINGENT PROFIT PAYMENTS, WHICH ARE MINIMAL CONSIDERING THAT REVENUES AND EXPENDITURES OVER THAT SAME PERIOD OF TIME WAS AT THE $2.4 BILLION LEVEL FOR EACH.

OUTLOOK FOR FUTURE

IN CONTRAST TO THE LOW TRAFFIC LEVELS EXPERIENCED IN 1985, TRAFFIC LEVELS DURING THE FIRST FEW MONTHS OF THE PRESENT FISCAL YEAR HAVE BEEN STRONG. IT IS POSSIBLE THAT THE BUDGETED FIGURE OF $311 MILLION MAY BE EXCEEDED. IF CURRENT TRAFFIC TRENDS CONTINUE, TOLLS INCOME IN 1987 COULD EXCEED THE $312 MILLION LEVEL ANTICIPATED IN THE PRESIDENT'S BUDGET.

THIS TRAFFIC PERFORMANCE REFLECTS A NUMBER OF FACTORS. TRANSITS BY AUTOMOBILE CARRIERS HAVE BEEN ON THE UPSWING FOLLOWING ABNORMALLY LOW LEVELS IN THE CLOSING MONTHS OF 1985. THIS DEVELOPMENT, COMBINED WITH A STRONG PERFORMANCE OF THE GRAIN, PETROLEUM AND PETROLEUM PRODUCTS TRADES, WHICH MOVE ON LARGE PANAMAX SIZE VESSELS, PRINCIPALLY ACCOUNTED FOR THE SHARP TOLLS REVENUE INCREASE EXPERIENCED THUS FAR. GRAIN AND CRUDE OIL SHIPMENTS HAVE REACHED THEIR HIGHEST LEVELS IN TWO YEARS. AN INCREASE IN U.S. GRAIN EXPORTS THROUGH THE CANAL ACCOUNTED FOR THE IMPROVEMENT IN THE GRAIN MOVEMENT, WITH OIL SHIPMENTS FROM THE WEST COAST OF SOUTH AMERICA ACCOUNTING FOR MOST OF THE INCREASE IN THE CRUDE OIL TRADE.

THE GROWTH IN 1987 ASSUMES THAT CONTAINER TRADE WILL CONTINUE STRONG, GRAIN SHIPMENTS WILL INCREASE MODERATELY, AND MOST OTHER TRADES WILL CONTINUE TO IMPROVE. WE WILL BE MONITORING TRAFFIC TRENDS VERY CLOSELY AND, IF THE HIGH LEVELS ARE SUSTAINED, IT MAY BE NECESSARY FOR THE COMMISSION TO SEEK ADDITIONAL BUDGET AUTHORITY IN 1987 TO HANDLE THIS INCREASED WORKLOAD DEMAND.

BEYOND THE BUDGET YEAR, WE FORESEE NO MAJOR FACTORS WHICH COULD RESULT IN SIGNIFICANT INCREASES IN CANAL TRAFFIC. ACCORDINGLY, THE OUTLOOK IS FOR MODEST TRAFFIC GROWTH OVER THE CURRENT LEVELS EXPECTED IN 1987.

IMPORTANT TREATY EVENTS

THE TRANSFER OF EXCESS HOUSING UNITS TO THE REPUBLIC OF PANAMA CONTINUES TO BE A TREATY AREA RECEIVING SIGNIFICANT ATTENTION. YOU WILL RECALL EXCESS HOUSING FOR THE COMMISSION PRINCIPALLY RESULTS FROM THE FACT THAT, IN ACCORDANCE WITH THE TREATY, THE COMMISSION CAN NO LONGER PROVIDE HOUSING FOR EDUCATIONAL AND MEDICAL PERSONNEL OF THE DEPARTMENT OF DEFENSE AGENCIES IN THE CANAL AREA, AS HAD BEEN PERMITTED DURING THE FIRST FIVE YEARS OF THE TREATY. TO DATE, THE COMMISSION HAS TRANSFERRED 1,348 HOUSING UNITS TO THE REPUBLIC OF PANAMA WITH ANOTHER 276 UNITS SCHEDULED FOR TRANSFER IN 1986. THE TRANSFER OF HOUSING UNITS IS OFTEN ACCOMPLISHED ROUTINELY WITHOUT ANY DIFFICULTY. HOWEVER, LAST SEPTEMBER, THE IDENTIFICATION FOR TRANSFER OF HOUSING ON THE ATLANTIC SIDE, WHERE THERE IS A CRITICAL HOUSING SHORTAGE IN THE CITY OF COLON, RESULTED IN AN INCURSION INTO AND THE ILLEGAL OCCUPANCY BY SQUATTERS OF A NUMBER OF VACATED HOUSING UNITS. THESE PROBLEMS ARE BEING RESOLVED AND IT IS EXPECTED THAT TRANSFER OF THE 276 UNITS WILL BE COMPLETED IN THE NEAR FUTURE.

CHANGING COMPOSITION OF WORK FORCE

IN KEEPING WITH THE TREATY OBJECTIVE OF INCREASING PANAMANIAN PARTICIPATION IN THE CANAL'S OPERATION, THE COMMISSION HAS ACTIVELY PURSUED EMPLOYMENT AND TRAINING PROGRAMS WHICH ARE DESIGNED TO HIRE, TRAIN AND PLACE QUALIFIED PANAMANIAN CITIZENS THROUGHOUT THE ORGANIZATION. AS A RESULT, WE ARE SEEING CHANGES IN THE COMPOSITION OF THE COMMISSION'S WORK FORCE. FOR EXAMPLE, ON OCTOBER 1, 1979 (THE EFFECTIVE DAY OF THE NEW TREATY), THE PANAMANIAN SEGMENT ACCOUNTED FOR SOME 69% OF THE TOTAL PERMANENT WORK FORCE. BY OCTOBER 1985, THAT SEGMENT HAD INCREASED TO 80%. THE COMMISSION'S PERMANENT WORK FORCE TOTALS AROUND 7,500 (8,300 FULL TIME WORK YEARS). OF INTEREST ALSO IS THE FACT THAT, AT THE HIGHER MANAGERIAL AND TECHNICAL LEVELS, WE HAVE SEEN NEARLY A 70% INCREASE OVER THE 1979 LEVELS.

THE COMMISSION'S TRAINING PROGRAMS HAVE PLAYED AN IMPORTANT PART IN THE CHANGING MIX OF THE COMMISSION'S WORKFORCE. WE HAVE INTENSIFIED OUR LOCAL RECRUITMENT EFFORTS AND HAVE DEVELOPED SPECIALIZED TRAINING AND DEVELOPMENT PROGRAMS. THESE INCLUDE INCREASED TRAINING FOR PANAMANIAN EMPLOYEES WITH POTENTIAL FOR SUPERVISORY AND MANAGERIAL POSITIONS; CAREER COUNSELING TO ASSIST PANAMANIAN EMPLOYEES IN THE ADVANCEMENT OF THEIR CAREERS; AND THE EXPANSION OF INDUSTRIAL, MARITIME, AND OTHER HIGHLY SPECIALIZED TRAINING PROGRAMS. AS A SINGULAR POINT OF INTEREST, COMMISSION MANAGEMENT HAS PLAYED A DIRECT PART IN SENDING 42 PANAMANIAN STUDENTS TO MERCHANT MARINE ACADEMIES IN THE UNITED STATES. WE ARE CONFIDENT THESE PROGRAMS WILL SERVE TO ASSURE THE AVAILABILITY OF QUALIFIED PERSONNEL TO OPERATE THE PANAMA CANAL IN THE FUTURE.

APPROPRIATION REQUEST

AS INDICATED BY MR. GIANELLI, THE APPROPRIATION REQUEST FOR THE PANAMA CANAL COMMISSION IN FISCAL YEAR 1987 TOTALS $437.3 MILLION. THIS INCLUDES $409.8 MILLION FOR OPERATIONAL REQUIREMENTS DURING THE YEAR AND $27.5 MILLION FOR CAPITAL EQUIPMENT AND CONSTRUCTION, TO REMAIN AVAILABLE UNTIL EXPENDED.

OPERATING EXPENSES

THE APPROPRIATION REQUESTED FOR OPERATING EXPENSES IN FISCAL YEAR 1987 IS $409.8 MILLION. THE MAJOR COST COMPONENTS OF THIS TOTAL INCLUDE $194.7 MILLION FOR PERSONNEL COMPENSATION, $77.8 MILLION FOR TREATY PAYMENTS TO PANAMA, AND $56.2 MILLION FOR SUPPLIES AND MATERIALS.

THE APPROPRIATION REQUESTED FOR 1987 REPRESENTS AN INCREASE OF 3 PERCENT OVER THE AMOUNT APPROPRIATED FOR OPERATIONS IN 1986. MOST OF THIS INCREASE REFLECTS THE EFFECTS OF COST ESCALATIONS ON OUR OPERATIONS.

CAPITAL PROGRAM

THE COMMISSION'S CAPITAL PROGRAM REFLECTS $27.5 MILLION IN BUDGET AUTHORITY FOR 1987 DIRECTED PRIMARILY AT TRANSIT-RELATED IMPROVEMENTS. OF THE TOTAL CAPITAL PROGRAM, AN AMOUNT OF $18.0 MILLION IS DEDICATED TO TRANSIT PROJECTS. THESE PROJECTS ARE DESIGNED TO AUGMENT PROGRAMS ALREADY UNDERWAY TO ENSURE THE CONTINUED SAFE, EFFICIENT OPERATION OF THE WATERWAY.

SIGNIFICANT PROJECTS IN THE 1987 PROGRAM INCLUDE THE PURCHASE OF A TUGBOAT, THE REPLACEMENT OF TWO 25-TON DIESEL CRANES AT THE LOCKS, REPLACEMENT AND ADDITION OF TRANSIT EQUIPMENT, REPLACEMENT OF LOCKS ELECTRICAL TRANSFORMERS CONTAINING THE TOXIC CHEMICAL PCB, AND AUGMENTATION OF FIRE PROTECTION SYSTEMS AT THE LOCKS.

FY 1986 SUPPLEMENTAL REQUESTS

MR. GIANELLI HAS ALREADY TOUCHED UPON THE COMMISSION'S SUPPLEMENTAL REQUEST OF $25.6 MILLION. THE MAJOR PORTION OF THIS REQUEST, SOME $24.5 MILLION, IS RELATED TO THE RECENT CHANGE IN THE LAW FOR HANDLING MARINE ACCIDENTS AUTHORIZED UNDER PUBLIC LAW 99-209. THE SECOND ITEM INCLUDED IN THE REQUEST IS $1.1 MILLION WHICH WILL ALLOW THE COMMISSION TO PAY THE GOVERNMENT OF PANAMA THE OBLIGATIONS ARISING FROM THE 1985 OPERATING PROFIT. THIS IS DUE THE REPUBLIC OF PANAMA PURSUANT TO PARAGRAPH 4(C) ARTICLE XIII OF THE PANAMA CANAL TREATY OF 1977. WHILE THE PAYMENT AMOUNT IS SUBJECT TO CHANGE, INASMUCH AS THE GENERAL ACCOUNTING OFFICE HAS YET TO COMPLETE ITS FINANCIAL AUDIT, WE DO NOT EXPECT THE AMOUNT TO CHANGE SIGNIFICANTLY.

RESOURCES ARE AVAILABLE IN THE PANAMA CANAL COMMISSION FUND TO COVER THESE TWO SUPPLEMENTAL REQUIREMENTS.

CONCLUSION

IN CONCLUSION, THE PANAMA CANAL COMMISSION IS COMMITTED TO PROVIDING RELIABLE, EFFICIENT SERVICE TO WORLD SHIPPING. OPERATIONALLY, THE COMMISSION FUNCTIONS AS A COMMERCIAL ENTERPRISE THAT PROVIDES SERVICE TO THE MARITIME INDUSTRY IN AN INCREASINGLY COMPETITIVE ENVIRONMENT. ACCORDINGLY, WE MUST CONTINUALLY STRIVE TO BALANCE OUR PROGRAM EXPENDITURES WITH REVENUES RECEIVED, WHILE AT THE SAME TIME PROVIDING EFFICIENT TRANSIT SERVICE AT COSTS COMPETITIVE WITH OTHER ALTERNATIVES TO THE CANAL. THE OPERATING AND CAPITAL PROGRAMS PROPOSED FOR FISCAL YEAR 1987 WILL ENABLE US TO CONTINUE TO ACCOMPLISH THIS. DETAILED DESCRIPTIONS OF THE OPERATING AND CAPITAL PROGRAMS FOR THE COMMISSION FOR FISCAL YEAR 1987 ARE INCLUDED IN THE JUSTIFICATION BOOKLET PREVIOUSLY FURNISHED THE COMMITTEE.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I SHALL BE PLEASED TO JOIN MR. GIANELLI IN ANSWERING ANY QUESTIONS YOU OR OTHER MEMBERS OF THE COMMITTEE MAY HAVE.

IMPACT OF GRAMM-RUDMAN LEGISLATION

Mr. LEHMAN. Thank you, Mr. McAuliffe. Before we discuss your fiscal year 1987 request, I would like to have some clarification of where you stand this year.

Under the current sequestration order of the President, your fiscal year 1986 budget has been reduced by $18,309,000.

What actions do you intend to take to achieve this reduction and what impact will these actions have on your operations?

Mr. GIANELLI. Mr. Chairman, let me answer it generally and then Mr. McAuliffe can get into some more detail. But I assume you are talking about the reductions required by the Gramm-Rudman Act, and certainly, they will impact adversely on the continued efficient operation of the Canal, which presently, of course, is the responsibility of the United States.

In order to meet the lower funding levels that would be imposed under the Gramm-Rudman, not only this year but particularly next year, it would be necessary to reduce critical Canal maintenance programs, and reduce essential manpower requirements through reductions in force, or furloughs, and forego certain desired capital investments.

These reductions are particularly difficult to apply to Canal operations because of the large amount of statutory derived cost to which reductions cannot be applied.

For example, such costs include payments to Panama mandated by the treaty and the Commission's special contribution to the Civil Service Retirement Fund.

Commission programs are planned and manpower requirements carefully set at levels determined necessary to ensure the smooth and uninterrupted flow of traffic through the Canal.

I might indicate, too, one other point which is true, and that is, if we make a reduction as a result of Gramm-Rudman, that money will not act to reduce the Federal deficit.

What it does under the treaty, Mr. Chairman, is operate to provide a profit payment directly to the Government of Panama, and we have pointed this out to a number of people, including some of the Members of Congress, and I think efforts will be made to try and rectify that situation.

But if we applied Gramm-Rudman the way it now would apply, it would present quite a number of problems to us.

Mr. LEHMAN. It would be a windfall for Panama.

Mr. GIANELLI. Yes, sir. It would be an additional amount of money to Panama as a result of the direct reduction of Gramm-Rudman.

Mr. LEHMAN. Maybe we can reduce our AID money by the same amount.

EXEMPTION FROM GRAMM-RUDMAN

Mr. GIANELLI. Well, we are hopeful that ultimately, we will be exempt from the provisions of Gramm-Rudman, because we really feel that, in view of the fact we have to operate within our income, it was not intended to apply to someone like the Commission.

Mr. LEHMAN. How are you suggesting that we exempt you?

Mr. GIANELLI. Well, there are a number of ways it could be done. One of the ways which we hope will take place, is that the Congress will find it appropriate to exempt us from the provisions of Gramm-Rudman.

And let me also indicate that the Administration would support such an exemption, and I think there are bills that have been introduced into the Congress already to provide for certain exemptions of the Panama Canal from the provision of Gramm-Rudman.

Mr. LEHMAN. Where is that bill now?

Mr. GIANELLI. Where is the bill?

Mr. RHODE. It has been introduced, Mr. Chairman, by Mr. Fields, and a number of co-sponsors, to be marked up on the 19th in the Panama Canal Subcommittee, the Oversight and Authorizing Committee.

IMPACT OF GRAMM-RUDMAN

Mr. LEHMAN. According to your justification, this Gramm-Rudman reduction will require furloughs or reductions-in-force.

Which of these do you intend to use and how many personnel will you have to reduce, or how many furlough days will be required?

Mr. MCAULIFFE. For this fiscal year, we do not believe that we will have to reduce any of our permanent personnel. We do have a hiring freeze in effect now.

We are moving very cautiously on hiring even of temporary personnel, relating that to special high-priority projects.

I should say, however, that should we not be exempted under Gramm-Rudman for 1987, then I expect that substantial manpower reductions will be required.

Mr. LEHMAN. Substantial is how many?

Mr. MCAULIFFE. That is very difficult to say but it could very well be several hundred.

Mr. LEHMAN. How many furlough days are you thinking about?

Mr. MCAULIFFE. We do not have a specific number on that at the present time. I believe we will not have to furlough anybody this year.

Mr. LEHMAN. To the extent that your reductions are achieved by personnel reductions or furloughs, won't this reduce your ability to transit vessels through the Canal thereby reducing revenue, or do you have personnel in excess of your operating requirements?

Mr. MCAULIFFE. My feeling is that if I have to reduce manpower as a means of achieving savings, then I would try to do so in some of the supporting activities and administrative activities that do not directly help to move ships through the Canal.

But I should say that as we see the traffic in the Canal increasing, in order to handle that traffic efficiently and safely, it is necessary to add some personnel, for example, line handlers, and so we run somewhat at cross-purposes as we look at these severe reductions.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

At this time, the Commission is not undertaking reductions in the permanent work force due to Gramm-Rudman imposed cuts. We will reprogram our mainte-

nance plans and direct our resource towards the more critical areas; this will cause us to sacrifice programs of a less critical nature. Temporary hires will be halted; and any new hires, if made will be held to filling only critical positions. We will reduce our training programs, and procurement actions will be cut. If these measures prove unsuccessful in staying within our new reduced spending levels, then reductions in our permanent work force will be required. Dependent on the severity of these reductions, they will indeed affect the Canal's ability to move ships safely and efficiently. Commission staffing levels are set at levels we consider necessary to efficiently operate the waterway.

Mr. LEHMAN. You also indicate that you intend to reduce your maintenance programs. What dollar savings are feasible in this area?

Mr. MCAULIFFE. For this year, about $1.6 million, and here we are deferring some maintenance work in the hope that we will be able to do that work next year, or, later this year, if this funding should be restored.

With a 70-year-old Canal, a reduction or a cutback in maintenance just creates problems for the future.

Mr. LEHMAN. Have you begun the implementation of your budgetary reduction actions? If not, when do you intend to start?

Mr. MCAULIFFE. We have begun that implementation now through our hiring freeze, through a slippage in certain procurements, and in the stretch-out of certain maintenance and other supporting programs.

1986 TOLL REVENUE

Mr. LEHMAN. You mentioned your increasing traffic. According to the budget, you are projecting toll revenue of $311 million for fiscal year 1986.

However, based on your tolls collected for the first four months, $108.8 million, it would appear as if you will exceed this $311 million estimate.

Did your traffic continue above budget during the month of February and if so, what are your current estimates of toll revenue and net operating profit for fiscal year 1986?

Mr. GIANELLI. Well, it is my recollection, Mr. Chairman, if we make a projection based upon the traffic we have had thus far this year, our estimate will probably exceed the $311 million by some $8 million.

But Mr. Chairman, there are variations in traffic throughout the year, and it is a little premature to put very much reliability on a projection that is based upon the period that we have had thus far.

But if you do project it, we conclude that the $311 million would be short by some approximately $8 million.

Mr. LEHMAN. Have you advised the Agency for International Development that Panama could be receiving a significant windfall payment as a result of Gramm-Rudman and your higher than anticipated fiscal year 1986 toll revenue?

Mr. GIANELLI. We have not officially advised the Agency for International Development, but I think the Congress, many of the committees, and others, are generally aware that the effect would be excess revenues made available to the Government of Panama.

So I think that is generally known, although we have not officially notified the Agency for International Development.

TOLL REDUCTION

Mr. LEHMAN. Since operating expenses are under budget $600,000 in January, and toll revenue is over budget, why have you not considered reducing your toll rates?

Mr. GIANELLI. We have not, Mr. Chairman, for a number of reasons. First of all, we are not certain yet exactly what the long-term impact is going to be, and secondly, it takes a fair amount of time five to six months to implement a toll decrease.

We would be reluctant, at the present time, on the basis of what has happened the first few months, to consider a toll decrease.

If this continues for a sustained period we might want to look at that, but I think at this particular point of time, such a consideration would be premature.

FUEL COSTS

Mr. LEHMAN. In view of your higher than anticipated revenue and the fact that fuel costs have dropped, and could drop further, how confident are you in your fiscal year 1987 revenue and expense estimates?

Mr. GIANELLI. Well, we have made projections on the basis of our best information, but again, I think that they are the best we can do at the present time, but they are subject, of course, to considerable modifications, depending upon our experience in the rest of the year.

Mr. LEHMAN. As you know, even in the last month fuel costs have dropped substantially, and it must have a substantial impact on your projected expenses.

Mr. GIANELLI. It could very well as time goes on, Mr. Chairman; you are exactly right.

Mr. LEHMAN. Could you give us, not necessarily for the record but for this committee, a revised estimate of your costs?

Mr. GIANELLI. We will look at that and be pleased to provide the committee with whatever we can in that regard.

Mr. LEHMAN. And revenue as well.

Mr. GIANELLI. Yes, sir.

[The information follows:]

With respect to fuel costs and the tolls-increase outlook, the Commission will be reassessing these items in the next several months in relation to current traffic trends and other financial considerations. As our financial requirements become clearer, we will plan to advise the Committee of our current outlook. Any savings, however, related to fuel-price reductions will more than likely be required in the transit function to handle the increased vessel work load.

CANAL COMMODITIES

Mr. LEHMAN. In the past petroleum and petroleum products has been one of your major commodity groups. Last year you indicated that you did not expect a significant change in the shipment of this commodity group through the Canal.

To what extent have petroleum and petroleum products contributed to your increased toll revenue, and what are you projecting for this commodity group for fiscal year 1987?

Mr. MCAULIFFE. The petroleum and petroleum products movement dropped to approximately 27 million tons in fiscal year 1985 from close to 31 million tons the prior year.

This commodity group, however, during the first four months of the current fiscal year, totals close to 11 million tons compared with approximately 9 million tons during the same period in 1984.

This gain mainly reflects increases in crude oil shipments from the West Coast of South America, and a higher tonnage of petroleum products moving on a diverse number of routes.

Mr. LEHMAN. I thought the crude oil went through the pipeline.

Mr. MCAULIFFE. This is petroleum originating other than in Alaska. Venezuelan oil, for example, and oil shipments from Peru and Equador.

GRAIN TRAFFIC

Mr. LEHMAN. Another major commodity group is grains. Last year it was indicated that corn shipments through the Canal had declined.

What is the current situation with respect to corn and other grains, such as wheat and soybeans, and what are your projections for fiscal year 1987?

Mr. MCAULIFFE. In fiscal year 1985, grain shipments totalled 23.5 million long-tons, decreasing 16.5 percent from the 28 million tons in fiscal year 1984.

Again, during the first quarter of the fiscal year, we have seen an increase in grain shipments to a little over 7.5 million tons, compared with about 7 million tons during the same period in 1984.

We do expect a recovery in Canal grain trade this year but the increase is expected to be moderate. The decline in U.S. grain exports to the Far East, and an apparent shift of export grain to West Coast ports, promoted by low rail rates, are factors which could limit the Canal grain tonnage.

I believe you asked also about corn. We do have a forecast from the consulting firm of Manalytics, Incorporated. They did not provide a specific forecast for corn, but did provide an estimate for coarse grains, of which corn represents about 75 percent. Shipments of coarse grains are projected to reach 24.4 million long-tons in fiscal year 1987. Based on what we are seeing at the Canal, we feel this projection may be high.

Actual coarse grain shipments during fiscal year 1985 totalled 11 million tons, and tonnage during the current fiscal year is now estimated to be about 15 million long-tons, so there will be some increase in this commodity.

COAL TRAFFIC

Mr. LEHMAN. Last year you stated that your coal traffic had declined and was expected to decline further because of the increase in coal bypass shipments around the Cape of Good Hope.

What is happening this year with regard to coal bypass movements, and to your overall coal traffic?

Mr. McAULIFFE. Well, as a matter of fact, in 1985, there was a slight increase in coal shipments to about 11.5 million tons, from 10 million tons in 1984.

Through the first four months of the current fiscal year, coal tonnage has totalled 3.3 million tons, indicating that this trade will remain near the levels reached during 1985.

Low Japanese steel production levels, a diminishing U.S. share of Japanese coal imports, and continued use of bulk carriers too large to transit the Canal, are factors behind the limited growth in the coal tonnage expected through the Canal in the future.

AUTOMOTIVE SHIPMENTS

Mr. LEHMAN. According to information provided last year, automotive shipments represented about 14 percent of your total toll revenue and you were anticipating continued growth in this area.

To what extent have automotive shipments contributed to your increased toll revenue and to what extent do you expect this trend to continue?

Mr. McAULIFFE. The movement of automobiles, trucks, and accessory commodity groups totalled 1.9 million tons in fiscal year 1985; increasing slightly from the prior year.

This commodity group, which has a high effective toll rate, is estimated to have generated over $50 million in toll revenues in 1985.

During the first four months of this current year, this trade has shown relatively sharp increases, totalling 785,000 tons compared with 609,000 tons during the similar period in 1985.

The lifting of voluntary quotas on Japanese cars could be a factor in the rise in the movement of this commodity.

COMMODITY CHARGES

Mr. LEHMAN. Do you charge more for a shipment of automobiles than you do for a shipload of coal, for example, because of the value of the product?

Mr. McAULIFFE. We do not charge on the type of commodity carried. We charge on the revenue-producing space within the ship itself.

These car carriers are so designed that they, in effect, maximize the amount of cargo-carrying or revenue producing space, and that is what produces the higher revenues for us.

Mr. LEHMAN. Higher than what kinds of carriers?

Mr. McAULIFFE. Higher than, say, a bulk carrier. Because of the design of the ship. All of the upper decks are completely enclosed and that gives us, then, many more Panama Canal net tons per ship.

Mr. LEHMAN. I see. But the fact that a shipload of cars may be worth four to five times that of a shipload of coal does not affect your rates?

Mr. McAULIFFE. It does not affect the rates. The Suez Canal does somewhat differentiate tolls based on types of commodity, but we do not.

OTHER COMMODITY INCREASES

Mr. LEHMAN. Have there been or are you projecting any significant increases in other commodities, such as lumber or chemicals?

Mr. MCAULIFFE. I do not have precise figures for those. I would like to do so for the record.

Mr. LEHMAN. Okay.

[The information follows:]

With the exception of petroleum and products, grains, lumber and products and chemicals and petroleum chemicals, all other commodity groups experienced increases in fiscal year 1985. During the current year, petroleum and products and grains have improved and a number of commodity groups have continued to show gains, including canned and refrigerated foods, machinery and equipment, miscellaneous minerals, and ores and metals. While we don't expect significant growth in lumber and chemicals by year end, these commodities could show some improvement during the remainder of the year. Overall, cargo is expected to show a moderate increase over the prior year.

GRAMM-RUDMAN

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you very much, Mr. Chairman. I am not sure I understood totally what you estimated as a result of the sequestration of the $18 million and the increase of toll revenue. What will be the cash payment to Panama for fiscal year 1986.

Do you have an estimate of that?

Mr. GIANELLI. Well, what it would be, Mr. Coughlin, would be the reduction by Gramm-Rudman, presumably——

Mr. COUGHLIN. That is $18 million.

Mr. GIANELLI. Yes, plus if our revenues—the Chairman asked if our authorization was not adequate by, say, $8 million—so that would be the $8 million plus whatever the reduction was by Gramm-Rudman, assuming those——

Mr. LEHMAN. Plus also the reduction in your fuel costs.

Mr. GIANELLI. Whatever it turned out to be, yes.

Mr. COUGHLIN. But what is the total estimate?

Mr. GIANELLI. A payment of $20 to $25 million, probably.

Mr. COUGHLIN. It is going to be twenty to twenty-five?

Mr. RHODE. At least that right now, I believe, Mr. Coughlin.

Mr. COUGHLIN. You do not have a harder estimate than twenty to twenty-five?

Mr. GIANELLI. No, because part of it is based upon, for the last eight months, which we do not have any figures on, in terms of revenue in particular.

Mr. COUGHLIN. You must have projections——

Mr. GIANELLI. Well, we did. That is what I say. That is what we are talking about: the eight plus the sixteen, or seventeen, which would be about twenty-five. That is about the best we have at the moment.

VISIT TO PANAMA

Mr. COUGHLIN. I appreciated, when we were down there, your courtesy very much indeed. It was a fascinating experience to be able to see the operation of the Canal firsthand, and I know we had some very candid discussions with representatives of the Government of Panama.

Have there been any further developments on that front, in terms of their expectations, if you want to call it that?

Mr. GIANELLI. Well, I think they are making a number of inquiries, they are following the whole subject with interest, but I do not think there has been any major input as far as the Commission is concerned. But we know they are following it very closely.

Mr. MCAULIFFE. We did have, two weeks ago, a visit to the Canal by members of the Panama Canal Affairs Committee, the committee with which you met.

The chairman and several members visited the overhaul work that we were doing at Pedro Miguel Locks and found it extremely interesting, but their questions, I think, were more directed toward the scope of the operation than to some of the political topics that were discussed during your meeting.

PANAMA'S REINVESTMENT OF PROFITS

Mr. COUGHLIN. Do you see any likelihood that they would reinvest the $20 to $25 million cash payment that they receive?

Mr. GIANELLI. I do not think so, Mr. Coughlin. That is not the indication of the revenues which they have received thus far.

Mr. COUGHLIN. They are not giving any indication that——

Mr. GIANELLI. No, sir. In fact I think it is probably to the contrary; they have so many other things they would use it for.

Mr. COUGHLIN. And have you taken any steps with regard to this year's budget to avoid a situation where any sequestration would result in a cash payment to Panama?

Mr. GIANELLI. Well, I think the Chairman asked this question earlier, before you came in, Mr. Coughlin. We indicated that we are hopeful that we could get an exemption for the Panama Canal Commission from the provision of Gramm-Rudman, and the Administration has indicated it would support that exemption.

How fast that can take place is still a question, but we are working in that direction.

EXEMPTION SUPPORT—GRAMM-RUDMAN

Mr. COUGHLIN. I am sorry. I did not mean to duplicate questions that the Chairman raised, but the Administration has indicated its support of that?

Mr. GIANELLI. Yes, sir.

CONVERSION TO GENERAL FUND

Mr. COUGHLIN. The fiscal year 1987 budget proposed to terminate the Special Panama Canal Commission Fund and transfer the unappropriated balance to the General Fund of the Treasury.

Mr. GIANELLI. Yes.

Mr. COUGHLIN. Why is that being proposed?

Mr. GIANELLI. Well, one of the problems which is one of the criticisms we have had generated by the General Accounting Office, is to require the Commission to repay the remainder of the funds which were appropriated earlier, plus certain interest monies that have been accumulating in our fund to the U.S. Treasury.

We have pointed out, consistently, that under the provisions of the Panama Canal Commission Fund, we have to have a certain amount of money available to operate for the first few months of each fiscal year.

So we have needed that $85 million plus $60 million, or whatever it amounts to, from past interest payments, to operate during that period.

If we could go to the General Fund, as is being suggested here, we would not have to worry about retaining those monies, and they could be returned to the Treasury of the United States.

INTEREST TRANSFER

Mr. COUGHLIN. And I know that during the conference on the continuing last year, one of the issues was Senate language which would have required the transfer from the Panama Canal Commission to the General Treasury certain interest collected on the U.S. investment in the Canal?

Mr. GIANELLI. That is right, and as I remember, Mr. Coughlin, you were very helpful in that regard and we appreciated it.

Mr. COUGHLIN. What would have been the result if that transfer of interest had been ordered?

Mr. GIANELLI. The Canal would have been in serious trouble. There would have been insufficient start-up funds to begin, operation at the beginning of the fiscal year.

Mr. COUGHLIN. In terms of cash flow?

Mr. GIANELLI. In terms of cash flow; yes, sir. In terms of operating funds for the first part of the fiscal year.

Mr. COUGHLIN. Mr. Chairman, that is all I have at this time.

CANAL STUDIES

Mr. LEHMAN. All right. Thank you.

Last year it was indicated that you had two studies underway, one related to a forecast of traffic and the other a tolls sensitivity study.

What were the major conclusions of these studies?

Mr. GIANELLI. The first one you referred to is a study conducted by Manalytics, and they were contracted to prepare a forecast of Panama Canal traffic and tolls for the fiscal year 1985 through the year 2010.

That forecast was completed in March of last year, Mr. Chairman, and Manalytics concluded that ocean-going commercial cargo movements through the Panama Canal, that is, the tonnage aspect of it, would increase at the annual growth rate of about 2 percent annually during the forecast period.

I want to point out, however, that the increase was largely brought about by their estimate of an increase of the size of ships that would transit the Canal, and not a material increase in the number of ships, and I think that is the first forecast that you alluded to.

The second one, which is a study of the sensitivity of Canal traffic to increases in transit costs is being conducted under a contract by the consulting firm of Temple Barker & Sloane. TBS, I think it is referred to.

That study is expected to be completed some time next month. We do not have their official results yet.

Mr. LEHMAN. You also indicated last year that you intended to look at possible adjustments to tolls in connection with your fiscal year 1987 budget.

Have you made a final decision regarding fiscal year 1987 tolls?

Mr. GIANELLI. No, sir, we think current toll rates will be adequate through FY 1987.

TRAFFIC PROJECTIONS

Mr. LEHMAN. Would you provide for the record your traffic projections for the next three fiscal years, i.e., 1986 through 1988, similar to the information contained on page 252 of last year's hearing record.

[The information follows:]

FORECAST OF PANAMA CANAL TRAFFIC AND TOLLS REVENUE, 1986–88

Fiscal year	Oceangoing transits	Transit daily average	Total Panama Canal net tons	Tolls revenue (in millions)
1986	11,965	32.8	175.3	$311.0
1987 [1]	12,000	32.9	175.9	312.0
1988 [1]	12,215	33.4	188.1	332.0

[1] Based on higher traffic levels experienced to date in 1986, the Commission now anticipates that tolls revenue will be substantially higher than budgeted—about $8.0 million in 1986 and between $10.0 and $15.0 million higher in 1987.

RAILROAD DEREGULATION

Mr. LEHMAN. Last year you indicated that it was difficult to determine whether railroad deregulation had affected cargo movements through the Canal. However, you also stated that your container cargo was increasing and you expected it to continue to increase.

What is your current assessment of the impact of railroad deregulation and your prospects for increasing your volume of container traffic?

Mr. GIANELLI. Mr. Chairman, on the matter of the effect of railroad deregulation, we do not have a full handle on that, but you may have noticed in some of the transportation journals, that a number of the shipping companies are getting involved with railroad movement, and the full effect of that is going to be in the future and is somewhat uncertain.

We are somewhat concerned about that, and are very interested, because if they start to move a lot of cargo by rail traffic across the United States instead of through the Canal, it would, of course, have an impact on Canal traffic.

We'll be watching that very closely; however I think it is too early to have a good handle on what the effect of that deregulation may be.

Mr. MCAULIFFE. If I may add to that, Mr. Chairman. We have seen the lower rail fares impact adversely on certain types of grain movements through the Canal, because of particularly the exporting of corn by rail out to the West Coast and then on to the Far East.

Concerning the experimentation being done by any number of firms with rail movement of containers, as Mr. Gianelli indicated, it is very difficult for us to determine what impact this will have on the Canal.

But what we are seeing at the Canal are increasing numbers of container ships through the Canal and there are also increasing shipments of containers across the United States by rail, which indicates to me that there are simply more containers of goods moving, particularly from the Far East, into the United States, and also, of course, to and from Europe.

But whether both these transportation alternatives continue to see increases in container traffic remains to be determined over the next several years.

LONG-RANGE PROJECTIONS

Mr. LEHMAN. Last year your long-term projections called for an average annual increase in cargo shipments of about 2 percent. In view of your experience to date this year, is that still your long-range projection?

[The information follows:]

Through the first four months of this fiscal year, commercial cargo was 2.6 percent above the tonnage registered during the same period in 1985, but indications are that this rate of growth could taper off to between 2 and 2.5 percent by year end. In the longer term, cargo tonnage is still projected to grow moderately at an average annual rate of about 2.0 percent. Year-to-year variations from that average growth rate are, of course, expected.

Mr. LEHMAN. In which major commodities do you anticipate traffic growth over the next five to ten years?

[The information follows:]

The long range forecast of Panama Canal cargo shipments, completed last year by the consulting firm Manalytics, Inc., under contract to the Panama Canal Commission, projected cargo tonnage to grow moderately over the long-term at an average annual rate of about two percent. Most of the growth in cargo movements will be generated by increases in coarse grain, wheat, soybean, phosphate and container cargo (general cargo except foods).

CANAL CAPACITY

Mr. LEHMAN. Last year it was stated that you did not expect the canal capacity to be reached in the next 5 or 10 years in terms of the number of ships using the Canal. However, you did express some concern about your ability to handle the large beam ships, i.e., those with a width in excess of 93 feet.

To what extent are you experiencing an increase in these large beam ships? If there is an increase, what impact is it having on your operations, and what actions are you or will you be taking to more effectively cope with these vessels?

Mr. GIANELLI. Yes, Mr. Chairman. I think the concern expressed last year has been borne out by our experience.

The percentage of large beam ships is gradually increasing. As I indicated earlier, however, our experience is still pretty short in terms of this fiscal year.

Mr. MCAULIFFE. In order to handle that increase, Mr. Chairman, our capital program has been extremely important to us in providing the means of transiting these larger beam ships efficiently and

safely. The types of projects I refer to include the acquisition of new, more powerful tugboats, an increase in our locomotive fleet, the installation of high-mast, high-intensity lighting at all the sets of locks; the construction of a tie-up or mooring station north of the Pedro Miguel Locks which improves our ability to schedule ships in and out of those locks and through the Gaillard Cut.

And also the work that we have done to widen and straighten certain sections of the channel. All of these types of projects have contributed to our being able to move the large beam ships efficiently and safely.

IMPACT OF LARGE SHIPS

Mr. LEHMAN. Last summer it was reported that at present your locks can handle ships up to 970 feet in length and 106 feet in width.

The article also states that the United States Lines reached those limits last year and many say ships that size, or even larger, are the wave of the future.

What assessments have you made of this trend towards larger container ships?

[The information follows:]

Over the mid and long terms, we expect container traffic moving on long haul routes through the Panama Canal to be handled predominantly by ships of PANAMAX size. Other smaller containerships will also transit the Canal but will be primarily serving short haul routes or used as feeder vessels in the area. The net effect will be significant growth in the average size of container vessels using the Panama Canal.

WIDENING OF GAILLARD CUT

Mr. LEHMAN. Another problem is that an increase in these larger vessels would cause a backup at the Canal unless the Gaillard Cut is widened for two-way, large ship traffic.

What is the status of the possible widening of the Gaillard Cut?

Mr. GIANELLI. That study will be completed probably at the end of this year or early next year, Mr. Chairman. The present posture of the study is that we are now reviewing financial firms for the award of a contract, the purpose of which is to indicate how the cost of such a project might be covered. That study will take several months, and it is the last part of the overall study that has been underway with respect to the possible enlarging of the Gaillard Cut.

We have this last year completed a tie-up station which will increase transit efficiency. But as far as a major study is concerned, the results of the efforts will probably not be available until early next year.

Mr. LEHMAN. As we have discussed in the past, the cost of this project is estimated to be about $500 million.

What alternative financing mechanisms is your study considering?

[The information follows:]

The Panama Canal Commission has issued a solicitation for proposals from financial consultants for a study of financing alternatives. That study will examine several different financing methods. The three alternatives to be examined are external debt financing, equity contributions by the United States and/or the Panamanian

governments, and enhanced internal generation of cash through increased toll rates. The financial consultant will be expected to determine the feasibility of each of these methods, as well as combinations thereof. Consideration will be given to both the financial and legal ramifications of these various financing alternatives.

SEA-LEVEL CANAL

Mr. LEHMAN. What is the status of the study of a sea-level canal and when do you expect that study will be completed? Also who is financing this study?

Mr. GIANELLI. In regard to the sea-level canal study required by the treaty, there has been an agreement between the United States, the Government of Panama and the Government of Japan to proceed with the study.

That was signed by our Secretary of State last fall. It is estimated that the study will take five years under the State Department program, and the total cost would be approximately $20 million. Each country, under the State Department agreement, would contribute one-third of the cost of the study.

I would expect the study will probably get underway this coming year as soon as the various appointments can be made and the efforts implemented provided for under the agreements.

DEFORESTATION

Mr. LEHMAN. A recent study reportedly warns of the danger concerning deforestation of Chagres River watershed. The study recommends strict protection of the watershed's existing rain forests and that the vegetation in previously deforested areas be allowed to grow back naturally.

What actions are being taken by the Government of Panama to better control the farming, cattle ranching and lumbering in the Canal watershed?

Mr. GIANELLI. This subject, Mr. Chairman, has been given a lot of attention by the Joint Commission on the Environment. They have had a number of meetings.

Representatives of the Government of Panama have participated in those meetings and I think the Government of Panama now is beginning to look at that problem with more concern than they have shown in the past and they are attempting to control and combat the deforestation that has been taking place in the watershed that serves the Canal.

I think there is still much to be done in this area. We believe that it must be done by the Government of Panama, and so our efforts primarily are to try to work with that government, to try to point out to them the importance of this effort, and we believe that is beginning to bear some fruit because there are indications that the Government of Panama is moving in the direction of exercising some control over the watershed area which is very important.

Mr. LEHMAN. Does most of this deforestation take place by people looking for lumber and firewood for private use or by commercial acquisition of lumber?

Mr. GIANELLI. I think it is a combination, Mr. Chairman. There are some deforestation due to the acquisition of lumber, for example, that people want to use, but some is also by people who are clearing the area for farming operations.

TRAINING PROGRAM

Mr. LEHMAN. Last year you indicated that you were losing about six percent of your U.S. citizen workforce per year.

Has this trend continued and what adjustments, if any, will this require in your training program?

Mr. GIANELLI. We are gradually losing U.S. citizens in the workforce, Mr. Chairman, and that is in accordance with the provisions of the treaty which contemplate when we turn the Canal over to Panama in the year 2000, essentially we would have Panamanians who would continue to operate the Canal.

The figures, I think are about correct. The trends are moving about the way that we anticipated. And, if anything, I think that we are probably actually a little ahead of the curve in terms of training Panamanians.

What it does mean is that in certain areas we have had to give extra attention. For example, one of the problem areas has been in the pilots. We have a pilot workforce of between 200 and 250 pilots. And right now, we only have a few Panamanians who are fully qualified pilots. So one of the problems, because it requires a very long training time, is to increase the number of Panamanian pilots. And we are moving aggressively in that area. We have a number of additional trainees at King's Point and other maritime academies. The Government of Panama is moving rather aggressively in this area also. And one of the problems that we have been trying to work out is that the Government of Panama work with us in trying to provide some sea experience for these trainees to prepare them to become pilots.

So, that is one of the larger problem areas. We continue to support our training programs, particularly in some of those area skills which are critical. Pilots certainly are one of them.

Mr. MCAULIFFE. If I may add to that, Mr. Chairman, the actual numbers show that the retirements of U.S. citizen employees in 1985 were less than in 1984 and our experience through the first four months of this fiscal year, indicates a lesser number of retirements than for the same period last year.

What I am saying is that the departure of U.S. citizens has slowed down. And I think that is because of the efforts made by the Commission and approved by our Board of Directors toward retention of skilled U.S. personnel who are so important to the continued efficient operation of the Canal.

Mr. LEHMAN. Would not the Government or the people of Panama be pushing for those jobs at the same time?

Mr. GIANELLI. They certainly are, Mr. Chairman.

Mr. MCAULIFFE. They certainly are and we still conduct training programs with an assumption that normal retirement and attrition rates will prevail so that we do not come up with any shortfall in essential skills.

Mr. LEHMAN. Mr. Coughlin?

PILOT CONTRACT/SALARY

Mr. COUGHLIN. Thank you, Mr. Chairman.

Last year it was stated that under your new pilot contract the average salary for pilots would be decreased.

To what extent has this happened, and what is the average salary of your pilots?

Mr. GIANELLI. Let me partially respond and Mr. McAuliffe can respond in more detail.

One of the things that we have been able to do is to reduce, overtime hours that the pilots have had. And that, in effect, has had some effect for reducing the average salary that the pilots had before.

But I think that Mr. McAuliffe has some more specifics on that.

Mr. MCAULIFFE. Concerning the performance of pilots under the new contract, for calendar year 1985, the average compensation earned by pilots was $84,000. That happens to be very similar to the average for the previous year, which was before the new pilot contract came into effect. The reasons for substantially no change are rather complex. For one thing, the pilot contract was a disputed contract and so it was somewhat unevenly implemented at the beginning.

We do, under the contract, have substantially more flexibility in administering and executing the rights of management than under the previous contract.

And, as Mr. Gianelli implied, we have been able to restructure the productivity bonus system so as to eliminate redundancies in areas where there were questions as to the validity of particular bonuses.

But, countering all of that has been the rise in Canal traffic. Therefore, we found ourselves, particularly since November, using more pilots per day than we had been using on average in the previous year.

And as these pilots work, particularly as they exceed what we consider to be the norm for a 40-hour week, that is when the productivity bonus system takes effect and the increased workload is the reason for the continued average compensation of about $84,000.

Mr. COUGHLIN. You also indicated that under your new contract you intended to reduce the number of ships which required four pilots. To what extent has this been done?

Mr. MCAULIFFE. We have experimented with some of that and indeed, have eliminated some types of ships from the requirement for four pilots. But we are moving very slowly with the remainder because these larger beam ships and other ships that have reduced visibility from the bridge present us with a safety problem as they approach and pass through the locks.

We really do not want to increase the risk of safety.

PILOT CONTRACT SAVINGS

Mr. COUGHLIN. Have there been any annual cost savings as a result of your new pilot contract?

Mr. MCAULIFFE. Yes, there have. It is on the order of $600,000, I believe.

Mr. COUGHLIN. You mentioned that the contract was unevenly implemented. What did you mean by that?

Mr. MCAULIFFE. What I meant by that is that when we started to implement certain portions of the contract, there were still other

portions on which the final decision of the Federal mediator had not yet been given. So, we did not implement those portions until his decision had been given.

SIX-FOUR PILOTS

Mr. COUGHLIN. And refresh my recollection—these pilots are how many weeks on and how many weeks off?

Mr. MCAULIFFE. About half of the pilots are on what we call the regular plan. That is to say, they reside in Panama and they perform their duties regularly every week. They are, of course, authorized leave time, as other employees of the Panama Canal Commission.

Then there are approximately 100, that number varies a little bit from one year to the next, pilots on what we call the six-four plan.

This is a plan whereby the pilot works for six weeks, and then he is off for four weeks. The new contract made some adjustments in the administration of this group of pilots so that we have come closer to equalizing the productivity of that group with the productivity of the regular plan group.

Mr. COUGHLIN. Now this applies to 100 pilots only?

Mr. MCAULIFFE. Yes, we might give the number for the record, because as I mentioned, it varies every time there is a new enrollment in the six-four plan.

PILOT FORCE

Mr. COUGHLIN. And out of a total of how many pilots that you have?

Mr. MCAULIFFE. Out of 213 fully qualified pilots.

Mr. COUGHLIN. Was this program originally designed because most of these pilots were U.S. nationals and this would allow them to come back to the States?

Mr. MCAULIFFE. That is true. It was designed before the treaty and one of the motivations was the uncertainty among the pilots, as among other employees of the Panama Canal Company, about the terms and conditions to be applied under the new treaty, which was a couple of years ahead.

In order to provide some insurance that there would not be a drastic reduction in qualified pilots, one of the motivations of the plan was to let these pilots keep their families in the United States and then return to Panama on the cycle that I have mentioned to work there.

This plan has varied in its attractiveness to pilots. We have found one year that there seem to be more applicants for the plan than in a previous year; and then it will change the next year.

So, it is difficult to indicate exactly how popular it is but we did learn in the course of our negotiations with the pilots union that the pilots considered this plan a very important alternative for them.

Mr. COUGHLIN. What percentage of your pilots are Panamanian?

Mr. MCAULIFFE. About 7 percent. There are presently 16 fully qualified pilots and there are 15 pilots-in-training. These are Panamanians who are within perhaps a year or two of becoming fully qualified pilots. But unstated there are the number of Panama-

nians who are in other preparatory stages of training. These were mentioned by Mr. Gianelli a few moments ago. These people are both in maritime academies in the United States and Panama as well as in other special training programs that we have devised in the Panama Canal Commission.

Mr. COUGHLIN. Are there Panamanian pilots who are six weeks on and four weeks off, as well?

Mr. MCAULIFFE. I believe that there is one but I would like to verify that for the record.

[The information follows:]

As of March 3, 1986, the Commission has 4 Panamanian pilots on the 6x4 plan.

WORK FORCE MORALE

Mr. COUGHLIN. How would you characterize the morale of your workforce?

Mr. MCAULIFFE. Overall I would say that the morale has improved somewhat from the low point of the last several years. But I must break that into two segments. The Panamanian segment and then the segment of U.S. employees and third country nationals.

The morale of our Panamanian employees is quite high. The job opportunities are very positive for this group and the upward mobility opportunities are great. And there is an increasing feeling amongst these employees that they are in the wave of the future in Panama, that they are going to be the proprietors and the operators of the Canal, which is so important in the whole life and history of Panama.

There is, however, we note a down side to this amongst the Panamanian employees, among the newer, particularly professional level employees and the more highly skilled ones. There is an increasing concern as to what will be their status after the year 2000, when they will be in the prime of their working lives?

And whether the Government of Panama will provide protection for their jobs at that time, as the United States Government has provided up to the present time?

Now, with respect to the United States employees, the very adverse morale factor was the loss of purchase and mailing privileges on the fifth anniversary of the treaty. Our Board of Directors took action to provide an offsetting equity package, which, while it has cost a certain amount of money has, indeed, helped to retain this group of essential employees in the Commission.

And therefore, this group has had a small lift in morale since the low point of the loss of privileges.

But there is an increasing uncertainty among this group as to whether the equity package, which was approved for them by our Board of Directors, will be taxable, thereby reducing, again, the benefits that they receive. We are working with members of the appropriate Committees of the Congress to ensure that that equity package would not be taxable as similar benefits are not taxable for Department of Defense employees overseas.

PANAMA EFFORTS—CIVIL SERVICE SYSTEM

Mr. COUGHLIN. One of the concerns expressed at the time that we were in Panama was the question of the Panamanian Govern-

ment providing some kind of tenure or civil service protection for the Panamanian employees of the Canal. Has there been any progress on this issue at all?

Mr. McAuliffe. No, there has not. I do expect there will be some discussions of this within governmental circles eventually, but the problems of the Panamanian Government are so urgent and immediate because of the adverse economic situation that it is difficult for any attention to be paid to the year 2000.

There has been some editorial discussion of this and I expect there will be increasing discussion among Panamanians in the future.

Mr. Gianelli. Let me add to that. I know that in discussions I have had with some of the Panamanian Board Members, we pointed the necessity of this to them, because if we train Panamanian personnel to take over some of the key spots for the Commission and then the Panamanian Government cannot offer them any sort of tenure or security, they are liable to lose these valued employees.

If that happens, then the Government of Panama will have a very difficult time continuing the efficient operation of the Canal. In my opinion they must recognize and deal with this problem, otherwise, all of our training efforts will be for naught, if they cannot ensure some sort of stability for that workforce.

It is extremely important, Mr. Coughlin.

VIABILITY OF CANAL

Mr. Coughlin. The Canal is certainly one of the wonders of the world. I did not realize its complexity until I had the opportunity to see it.

Could you comment on the viability of a politically run canal?

Mr. Gianelli. The Canal as you just stated is one of the wonders of the world, but as such, it is now 75 years old. It requires, in our judgment, a lot of tender loving care.

I think that the work of the Commission thus far has been outstanding in terms of operating and maintaining the facility but, if for example, the Panamanians do not fully appreciate the importance of maintaining the Canal, as we have, then it stands some risk of being plagued with problems that could result in transit stoppages on occasions and, if that happens and the shipping interests are not able to rely on the Canal as a viable passage for their ships, then they are going to look to other alternatives and that could have a very adverse effect on the future use of the Canal.

So, it is a critical problem and certainly those of us who have this responsibility are going to try to do all that we can to impress on the Panamanians the importance of having a workforce that is trained adequately to operate this very important facility that is almost a 100 years old and the care and maintenance required to keep it operating.

I should say that if you look at some of the other facilities that have been transferred to the Government of Panama, I think it is the logical concern that we have that they not allow the Canal to deteriorate and that they appreciate the necessity to maintain it.

INJURY PROCEDURES

Mr. COUGHLIN. In the past you have indicated that you are working with the Panamanian social security and medical authorities so that your Panamanian employees are not off from work for several days due to a very minor injury.

What progress are you making in this area?

[The information follows:]

Despite periodic discussions on this subject with Panama Social Security (CSS) officials, medical personnel at CSS continue to resist assignment of light duty for minor injuries. This appears to be due to at least in part to Panama labor union implications with regard to non-Commission employees and a CSS desire for consistency in treatment of both non-Commission and Commission employees.

Consequently, it is considered at the present time that a resolution to this problem is not likely, and lost-time rates will continue to be affected.

RECORDABLE INJURIES

Mr. COUGHLIN. Would you update for the record the information on injuries shown on page 268 of last year's hearing record?

[The information follows:]

Total recordable injury/illness cases:

	Fiscal year 1984	Fiscal year 1985
Total recordable cases	675	756
Man-hours worked	17,487,039	16,432,444
Incidence rate	7.7	9.2

The "total recordable case" category includes all performance-of-duty injuries and illnesses for which employees were hospitalized, placed in quarters to convalesce, assigned limited duty, or treated by a physician and returned to duty the same day. It does not include first-aid cases or minor injuries attended to by the Commission occupational health nurses or by emergency medical service trained personnel of the Fire Division. Incidence rates in the OSHA system are computed by dividing the number of cases (or other parameter) by the number of man-hours worked and multiplying the results by 200,000 (i.e., number of cases x 200,000 divided by number of man-hours worked).

As seen in the statistics, the Commission experienced an increase in the incidence rate—from 7.7 in FY 1984 to 9.2 in FY 1985. There were 10 fatalities in FY 1984, as compared to none in FY 1985.

An evaluation of the Commission's safety and health program by OSHA officials in FY 1985 resulted in recommended means of strengthening the program in such areas as program documentation, reporting, management accountability, record-keeping and analysis, increased training for employees in hazardous safety and health committees and annual agency self-evaluations. Adoption of all of OSHA's recommendations was begun during FY 1985.

Additionally, during FY 1985, a program for reducing work place hazards through breath and urine testing for the presence of alcohol and drugs was designed and coordinated with unions for implementation in early FY 1986.

VESSEL ACCIDENTS

Mr. COUGHLIN. Would you also update the tables showing accidents, which were included on pages 268 and 269 of last year's hearing record?

[The information follows:]

MARINE ACCIDENTS

	Fiscal year—			
	1979 to 1982	1983	1984	1985
a. Total oceangoing transits	54,797	11,846	11,384	11,654
b. Number vessel accidents investigated (not including personal injuries)	201	35	33	25
c. Transits per accidents	273	338	345	466

SEVEN-YEAR EXPERIENCE VESSEL ACCIDENT CLAIMS

	Number	(Millions)
Fiscal year:		
1979	42	$15.9
1980	50	10.3
1981	44	10.9
1982	64	9.3
1983	41	3.4
1984	39	3.2
1985	24	3.1

INTEREST PAYMENTS

Mr. COUGHLIN. In the conference on the Continuing Resolution last fall the Senate raised the issue of reimbursing the Treasury for the prior years interest costs on the United States investment in the Canal.

We did not concur with this proposal since you maintained that the transfer of these funds to the Treasury would result in a serious problem for the Commission.

How much money is involved and do you still believe this would create a problem for the Commission? If so, why?

[The information follows:]

The payment of prior-year interest presents several problems to the Commission.

First, the payment of prior-year interest would add to the U.S. investment base in the Canal approximately $62 million of interest collected through December 31, 1985. Adding this to the interest-bearing U.S. investment base would cause the Commission's annual interest expense to increase by $6 to $7 million. The Commission maintains that this would be a retroactive change in law that would be patently unfair to our customers. Since this amount would have been recovered through tolls, shippers would view this amount as something they have already paid for, and would consider it a duplicate charge, as well as an unfair change in the rules. This would also place an undue cost burden upon the Commission since it has not been anticipated in the budget through 1987.

Second, the payment of prior-year interest would eliminate a vital source of funding authority which is required if the Commission continues as a special-fund agency. The Commission is not opposed to depositing accumulated interest into the Treasury with a change in the funding structure of the Commission, i.e., to a general fund appropriated agency. Until that occurs, the Commission will continue to need the $62 million as part of its beginning of each fiscal year funding authority.

Mr. COUGHLIN. As I understand it, under Public Law 99-195, starting with the current fiscal year, you will be reimbursing the Treasury on an annual basis for these interest costs.

What is the distinction between these interest costs, i.e. those from fiscal year 1986 and on, and the interest costs prior to fiscal

year 1986—why should the Treasury be reimbursed for one and not the other?

Mr. GIANELLI. Well, I think, Mr. Coughlin, as we pointed out in the discussion on this item, the past interest that has been earned is necessary to finance the Canal operation over the first several months of the fiscal year, under the laws that control the Panama Canal Commission Fund. We have requested, in our discussions on this item, that the Congress allow us to continue to use the interest that we have accrued in the past but we would be able to agree that any future interest could be deposited in the general Treasury.

So, the distinction is that we feel that the amount that has been accrued in the past is adequate for the first several months of operation under the special fund concept. Future revenues are not needed.

REIMBURSEMENT TO GENERAL FUND

Mr. COUGHLIN. Your budget justifications appear to indicate a reimbursement to the General Fund of $85,583,000 in fiscal year 1987. Last year when we asked about the $61 million reimbursement to the Treasury for interest costs we were told that you needed a balance of more than $100 million. However, with the $85 million reimbursement to the General Fund your balance will drop to less than $72 million.

Would you explain why you are now proposing to transfer in excess of $85 million when last year we were told that Congress should not transfer $61 million?

Mr. GIANELLI. We have tried to say that the combination of the two amounts are really the amounts of monies that we need to operate with any kind of security for the first several months of the fiscal year period.

The $85 million plus the $60 million are necessary for the first several months of operation for each fiscal year. If we go to the general fund this year, then the balance of those funds would be available for transferring to the general fund of the Treasury, Mr. Coughlin.

CURRENT POLITICAL SITUATION

Mr. COUGHLIN. Can you give us your assessment of the current political situation in Panama and your relationship with the Government of Panama?

Mr. GIANELLI. Well from the standpoint of the Commission, I think that the Commission Board is operating quite well with its U.S. and Panamanian members. As you know, we have four Panamanians who are members of the Commission's Board in addition to the five U.S. members.

The Government of Panama in the last two or three years, has been recommending outstanding people to the Board as its representatives. So we have been able, within the Commission, to work together quite effectively and cooperatively for the general benefit of the operation of the Canal.

With respect to the government, and Mr. McAuliffe may want to add something from his own observation, we are quite concerned

that the government seems to not have a very high degree of stability.

For example, Mr. Coughlin, since I have been involved with Panama over the last five years, there have been five different presidents.

It was our hope that when Mr. Barletta was elected about a year ago in October, or at least when he took office a year ago in October, that he would be able to fulfill his five year term. Unfortunately, he resigned after only 11 months in the office.

So, that does cause some concern and it is important for Panama to get its own house in order to provide a stability for the government because we are, even though we work closely with our Panamanian counterparts on the Commission, dependent upon the government of Panama for a lot of activities and we do hope that that government is able to reach a higher degree of stability than we have seen in the past.

Mr. McAULIFFE. If I might add, even with the uncertainties evident in the Panamanian Government, our day to day relationship with the Government of Panama, all of its ministries, has continued very normally. This has not adversely affected our employees either.

For example, the day in which Mr. Barletta left office, which politically was a very traumatic day, we had no absenteeism amongst our workforce, which is 80 percent Panamanian, and everything remained exactly on norm.

SECURITY PRECAUTIONS

Mr. COUGHLIN. The general political situation in Central America remains rather unstable. Are you taking any additional security precautions as a result of this situation?

Mr. McAULIFFE. We are continuing to work on the security of the Canal and, in this connection, we have provided in our budget some additional security guard positions.

We also have been funding for several years and will continue this in 1987, certain surveillance devices, security systems that work with our security guard force in order to improve their overall effectiveness, their ability to provide us at least a minimal level of protection.

In addition to this, the Commander-in-Chief of the U.S. Southern Command has been making surveys of the security needs of the Panama Canal and I am aware that certain actions have been initiated by that Command that would tend to provide a higher level of security for the Canal. Lastly, I would say that the cooperation that we have received from both the U.S. Southern Command and the Panama Defense Forces has been excellent and very much attuned to the possibilities, hopefully remote, that a threat situation could occur at the Canal.

GENERAL TORRIJOS

Mr. LEHMAN. There was a book published not too long ago by a very well known British writer, Graham Greene, about General Torrijos. Have you read that book yet?

Mr. McAULIFFE. No.

Mr. LEHMAN. You have heard of it?

Mr. MCAULIFFE. Yes. I would say that the book tends to add significantly to the stature of Torrijos.

Mr. LEHMAN. It is a very controversial book.

Mr. MCAULIFFE. It is controversial and I think that I am among those who would consider it so.

Mr. LEHMAN. Yes. Although he did do a lot, Graham Greene seems to idolize him and I do not know why. That does not make sense. I guess that is an author's privilege.

Thank you, Mr. Coughlin.

Mr. MCAULIFFE. It certainly seems to be.

JUSTIFICATIONS

Mr. COUGHLIN. Thank you, Mr. Chairman.

We will turn to the justifications.

On page 3 why did you return $22,373,000 to unappropriated offsetting receipts in Fiscal Year 1985?

[The information follows:]

The $22,373,000 lapsing of Commission appropriations in 1985 is principally due to: (1) savings accruing in the power-generation activity because we enjoyed a more favorable rain situation in 1985 and used more hydro generation; (2) reductions associated with the downturn in traffic, i.e., net tonnage payment and operation costs savings; and (3) other miscellaneous savings resulting from changes in the assumed level of inflation and other program factors.

LAPSING FUNDS

Mr. COUGHLIN. Would you provide a breakdown of the program reductions made to accommodate this $22,373,000?

[The information follows:]

Detail of balance lapsing—fiscal year 1985

Item	*Millions*
Cost of generating electric power	$9.3
Net Tonnage Payments	1.7
Reimbursement to DOD for education and health sponsorship	1.7
Employee's Contribution to FEBHA	1.1
Apprentices and other trainees salaries	1.0
Marine accident claims	2.5
Locks operation and maintenance	1.5
Transportation of things	1.3
Employee's states travel	0.8
All other, net	1.5
Total	22.4

REIMBURSEMENT TO GENERAL FUND

Mr. COUGHLIN. Last year it was indicated that you did not have the authority to make transfers out of the Panama Canal Commission Fund. In view of this, do you require authorizing legislation for your $85,583,000 reimbursement to the General Fund?

If so, what is the status of this legislation and, if not, what is your authority for this reimbursement?

Mr. GIANELLI. Yes, we do, Mr. Coughlin. We had a hearing before the Authorization Committee last week and they will be addressing this problem.

PROPOSED ELIMINATION OF SPECIAL FUND

Mr. COUGHLIN. You state on page 4 that you are proposing a legislative change which would terminate the special Panama Canal Commission Fund. What is the reason for this proposed change?

[The information follows:]

Appropriations for the maintenance and operation of the Canal come from the special Panama Canal Commission Fund, and are financed by receipts from tolls and other revenues. Because tolls and other income lag behind daily procurement and operational requirements, a balance must be retained in the fund to backstop first-quarter obligations. The Commission's main concern of remaining under the special-fund format is that the Congress may some day take away the $85 million balance of the first-year appropriation and the $62 million of past interest retained in the special fund and transfer those amounts to the general fund. Converting to the general fund would eliminate the special fund, transfer all balances in it to the general fund, and allow the Commission to operate under the same rules as other U.S. Government agencies in regard to annual start-up obligational authority. This should serve to bring to a close the recurring controversy over how to treat the balance of the 1980 appropriation and interest collections. It would, in no way, change the requirement that the Commission operate on a break-even basis as mandated by Public Law 96-70; its earnings would continue to finance its capital and operating expenditures.

Mr. COUGHLIN. What is the status of the legislation to terminate the special fund?

Mr. GIANELLI. Legislation has been introduced and we have had our hearing on it last week, before the authorizing committee.

REIMBURSABLE PROGRAM

Mr. COUGHLIN. On page 5 would you elaborate for the record on the estimated $3,148,000 reimbursable program?

[The information follows:]

The reimbursable program reflects the amount of work performed by the Commission's own forces on the capital program. It consists of the following type of services: Engineering design for construction and major overhaul projects, inspection of contract work, removal and installation of equipment, and in-house minor construction.

UNOBLIGATED CARRYOVER

Mr. COUGHLIN. Last year you estimated an unobligated carryover of $11.5 million at the end of fiscal year 1985. You now indicate that this carryover as of September 30, 1985, was actually $19,373,000.

What caused this slippage in your capital program?

Mr. MCAULIFFE. The Commission does its best to perform the projects in the capital program. However, there are many reasons which preclude our completing certain projects by the end of a particular fiscal year.

One of these factors is distance from the contractors, the contracting firms and the vendors. Another factor is the length of the procurement process, including the review of the markets, both in Panama and around the world. So we usually find ourselves at the close of a fiscal year with some portion of the capital program not yet implemented but we are usually able to initiate those early in the succeeding year.

Mr. COUGHLIN. Could you provide for the record the projects that were delayed and the reason for their delay?

Mr. MCAULIFFE. Yes, sir.

[The information follows:]

The unobligated carry-over of the Panama Canal Commission's Capital Program at the end of FY 1985 is as follows:

[In thousands of dollars]

A. Emergency Fund	$10,000
B. Capital Program:	
I. Transit Projects:	
A. Transit equipment	[1] 4,540
B. Transit facilities	[2] 1,746
II. Utilities Projects	[3] 1,407
III. General Support Projects:	
A. General support equipment	[4] 408
B. Commission buildings and facilities	[4] 611
C. Other miscellaneous general support equipment	[4] 529
D. Employee Quarters	[4] 132
Total capital carry-over	$9,373
Total unobligated carry-over	$19,373

Reasons for the unobligated carry-over include the following:

[1] The contract for the two towing locomotives was underway late in FY 1985 and was awarded early in FY 1986 (October 1985—$787 thousand carryover). Funding for the Dredge TENDER ($1,540 thousand) was not received until August 26, 1985 in a supplemental FY 1985 appropriation. This precluded solicitation of bids and award of the project in FY 1985. In addition, there were delays in developing the specifications for the purchase of a lighter barge ($560 thousand).

[2] There were delays in the project to upgrade the MTC system. This project is now in progress and pending installation of CCTV equipment and modification of Mamei Curve towers ($536 thousand).

[3] There were delays in developing the specifications and bid package to solicit bids for multi-year purchase of telecommunications equipment accounts for major portion of the carry-over in the utilities projects area ($1,332 thousand).

[4] These are related to a number of miscellaneous projects, the majority of which have been, or are in the process of being obligated.

OPERATING REVENUE AND EXPENSES

Mr. COUGHLIN. On pages 6 and 7, would you provide for the record revised operating revenue and expenses information for fiscal years 1986 and 1987 taking into account your most recent revenue projections and the impact of the fiscal year 1986 Gramm-Rudman-Hollings reductions?

[The information follows:]

Revenue and expense amounts listed on pages 6 and 7 are the result of the Commission's biennial and annual detailed budgetary process. While the Gramm-Rudman-Hollings Act will reduce Commission appropriation by $18.3 million in 1986, we are uncertain as to the continued application of the Act to the Commission beyond FY 1986.

In regard to transits and tolls, so far this year, they are running ahead of our 1986 projections, and will most likely result in 1986 tolls revenue increasing by approximately $8.0 million; if this trend continues, FY 1987 tolls would also increase by approximately $15.0 million.

The Commission has not had an opportunity to completely reassess its budgetary outlook for 1986 and 1987. Accordingly, providing revised projections at this time would be premature. The Commission will be reviewing, in the next several weeks, its total cost requirement in light of current economic forecasts and the financial application of this information on fiscal year 1986 and 1987 budgets.

FISCAL YEAR 1986 TOLLS REVENUE

Mr. COUGHLIN. Would you provide a month-by-month breakdown of your tolls revenue for fiscal year 1986, including estimates for March through September?

[The information follows:]

Fiscal year 1986—Monthly tolls estimates

[In thousands of dollars]

	Tolls
Actual:	
October	27,296
November	27,318
December	26,755
January	26,957
February	22,877
Variation from Budget	(8,128)
Estimates:	
March	27,180
April	26,526
May	27,180
June	25,912
July	26,842
August	27,180
September	26,605
Total	311,000

BOOKING FEES

Mr. COUGHLIN. Last year your estimated fiscal year 1986 collections from booking fees was $3.3 million. You are now estimating that these fees will amount to $6 million in fiscal year 1986.

What is the reason for this increase?

Mr. GIANELLI. The entire matter of booking fees has been an interesting one now. I suspect that the security which the shippers feel as a result of the use of the booking fee, has been somewhat responsible for that increase.

I guess that it is a small figure when compared to some of their other costs and apparently they feel that it is just good business to have the security of knowing that they will be able to secure passage on a certain date.

That is the only reason that I can think of for why the system has been used to the extent that it has.

Mr. COUGHLIN. For what are these collections used?

Mr. GIANELLI. We are using them for capital outlay and improvements in the Commission operation.

RECEPTION-REPRESENTATION EXPENSES

Mr. COUGHLIN. Thank you. You are requesting reception and representation expenses of $10,000 for the Board, $5,000 for the Secretary, and $28,000 for the Administrator.

This is a total of $43,000, which is $7,000 more than your fiscal year 1986 total and $13,000 more than the Secretary of Transportation currently receives.

Why do you need $43,000 for reception and representation expenses?

Mr. GIANELLI. Well, I think that there is probably a general answer and then maybe Mr. McAuliffe can be more specific.

One of the things that we are finding is a higher degree of interest in the activities of the Commission, particularly in Panama. I think that has been illustrated by the large number of the Congressional delegations that have wanted to go down there to become familiar with the project and the operation.

Also, we have had a number of people who visit there and the Commission attempts to inform them regarding the operation of the Canal and it is that additional interest which is reflected in the various expenses of the Board, of the Secretary and of the Administrator.

Mr. McAuliffe, may want to answer it more specifically.

Mr. MCAULIFFE. Concerning the expenditures from our reception and representation account in Panama, we have had increases in visiting groups, as Mr. Gianelli has indicated, but some of these groups are also users of the Canal. We are aware of a continuing increase in the number of shipping firms that send representatives to the Canal, perhaps to make evaluations as to the viability of the Canal for the future, because they are always examining alternatives for example the rail alternative mentioned earlier. So we try to impress upon them our efficiency and safety of operations and the intentions that we have to keep our costs reduced for the future. These groups do expect that we receive them properly.

FUEL COSTS

Mr. COUGHLIN. How much of your fiscal year 1987 budget is fuel costs and to what extent can this amount be reduced because of the substantial decrease in oil prices?

Mr. MCAULIFFE. The Commission contemplates about $25 million in fuel costs. On the basis of current fuel costs, should it continue, it is possible that the Commission could save about $5 million. I should say, however, that with the rising amount of revenues I believe that it is important for us to continue to have the authorization and the appropriation of those monies so that we can use some of these savings in maintenance programs.

Mr. COUGHLIN. Would you indicate for the record your fuel costs for fiscal years 1985, 1986 and 1987, distinguishing between oil and non-oil costs?

[The information follows:]

OIL AND NON-OIL COSTS—FISCAL YEARS 1985–87

[In millions of dollars]

	Actual 1985	Estimates	
		1986	1987
Oil (power, tugs, dredges)	$18.3	$25.2	$26.0
Non-oil (vehicles)	0.9	1.1	1.3
Total	19.2	26.3	27.3

OPERATING EXPENSES

Mr. COUGHLIN. Last year you projected fiscal year 1985 costs for maintenance, repairs and overhaul services to be $5.7 million.

However, your actual fiscal year 1985 costs were about $10.6 million. What was the reason for this variation of nearly $5 million from your estimate?

Mr. MCAULIFFE. That additional cost was due largely to the overhaul of the heavy lift crane, Hercules, as well as to increased major

maintenance costs of other floating equipment belonging to our Dredging Division.

Mr. COUGHLIN. Are the fiscal year 1986 maintenance estimates shown on page 10 consistent with your activity to date?

Mr. MCAULIFFE. Yes, they are.

DREDGE OVERHAULS

Mr. COUGHLIN. What is the status of your overhaul work on the suction dredge Mindi, the dipper dredge Christensen and your heavy lift crane, Hercules?

[The information follows:]

The status of the overhaul work is as follows:

(a) The overhaul work on the suction dredge MINDI is almost complete and the dredge is expected to be back in service about mid-April 1986.

(b) The overhaul work on the dipper dredge CHRISTENSEN has been broken up into two phases. The most urgent work was contracted out this month and should be completed by the end of April. The remaining work is scheduled to be accomplished by in-house forces between May and July 1986.

(c) The overhaul work on the heavy-lift crane HERCULES was completed in October 1985.

CHANNEL DREDGING

Mr. COUGHLIN. Would you indicate for the record, the status of your widening of the Bohio Curve and maintenance dredging at the Cristobal anchorage and the Pacific approach to the Miraflores Locks?

[The information follows:]

The Commission's FY 1986 dredging maintenance schedule has changed due to the unexpected duration of the dredge MINDI's overhaul and other operational consideration. Status of the three projects follows:

Bohio Curve Widening—The project is almost completed. Final maintenance dredging has been delayed due to maintenance work on the dredge MINDI. Completion of the project is expected in early FY 1987.

Pacific Approach to Miraflores Locks—This project will begin as soon as the MINDI is ready for operation anticipated in June 1986.

Cristobal Anchorage—This project has been rescheduled to FY 1987.

MAJOR MAINTENANCE PROJECTS

Mr. COUGHLIN. What major maintenance do you expect will be required during the balance of this year and in fiscal year 1987?

Mr. MCAULIFFE. We expect to continue to perform locks overhauls each year. We have just finished a major overhaul of the Pedro Miguel Locks this year.

For 1986, we plan the completion of the Bohio Curve widening. This is another of our efforts to help the navigation of large beam ships. And we will be dredging the channel approaches on the northern side in the Limon Bay area and also dredging in the Pacific approaches toward Miraflores Locks.

In 1987, we have dredging work to do in the anchorage area of Limon Bay on the Atlantic side and we will continue the maintenance dredging and some deepening in the Pacific approaches to Miraflores Locks.

And we will also conduct some dredging in the Miraflores Lake, which is between Miraflores Locks and Pedro Miguel Locks.

CHANNEL MAINTENANCE

Mr. COUGHLIN. Would you update for the record the information on channel maintenance activities which was included on page 279 of last year's hearing record?

[The information follows:]

The following maintenance requirements are scheduled for the next three fiscal years in the channel maintenance activity:

Fiscal Year 1986:
(a) Bohio Curve Widening.
(b) Maintenance dredging of Pacific approach to Miraflores Locks.
(c) Gaillard Cut maintenance.

Fiscal Year 1987:
(a) Completion of Bohio Curve Widening.
(b) Maintenance Cristobal anchorage.
(c) Continue maintenance of Pacific approach to Miraflores Locks.
(d) Begin Miraflores Lake maintenance.

Fiscal Year 1988:
(a) Maintenance Cristobal anchorage.
(b) Continue maintenance of Pacific approach to Miraflores Locks.
(c) Maintenance dredging of Pacific approach to Harbor.
(d) Completion of Miraflores Lake Maintenance.
(e) Maintenance dredging of Balboa Harbor to Miraflores Lake.

OIL SPILLS

Mr. COUGHLIN. How many oil spills have you had in the Canal during the past year?

[The information follows:]

During the past year, the Commission's oil pollution activity has responded to 17 oil spill incidents, which were not considered serious.

NAVIGATION EXPENSES

Mr. COUGHLIN. On page 11 you indicated that operating expenses for navigation services and control will increase by nearly $6 million in fiscal year 1986 and remain at essentially the same level in fiscal year 1987.

With lower fuel costs, why are these costs increasing this year?

Mr. MCAULIFFE. There are no fuel costs reported under this category of transit and port pilotage. However, we have had a reorganization within the navigation service and control function which has caused certain maritime training costs that previously had been reported under tug and launch operations to be reported now under transit and port pilotage.

The other increases are normal cost escalation.

Mr. COUGHLIN. Your justification indicates fuel is included in this category—cost of operating supplies, materials, fuel oil, fuel oil line and other consumables.

Launch operation also includes fuel and other consumables.

Could you provide an answer for the record?

Mr. MCAULIFFE. Yes, please, let me take a look at that and provide an answer for the record.

[The information follows:]

The increase in funding is due primarily to increases in crews to meet higher transit work load levels. These increases were in the areas of tug masters, leaders and additional launch crews. In addition to the added positions, vacancies during 1985 were filled in 1986, providing fuller occupancy at all levels. Other increases in 1986 are due to the cost of a special study to review tug designs and specifications.

Depreciation also increased due to additional plant and facilities, such as the new tug tie-up station, either completed or expected to be placed into service. Although the Commission will benefit from lowering oil prices, fuel is not the major cost element in our Navigation Service and Control function.

TRANSIT AND PORT PILOTAGE EXPENSES

Mr. COUGHLIN. Last year you projected your fiscal year 1986 expenses for transit and port pilotage to be $22 million. In this year's justification these same costs for fiscal year 1986 are now shown at $26 million.

Would you explain this $4 million increase?

[The information follows:]

Due to a reorganization within the Navigation Service and Control function, certain maritime training costs that were previously reported under "Tug and Launch Operations" are now reported under "Transit and Port Pilotage."

PILOT PAY

Mr. COUGHLIN. Would you indicate for the record how many pilots earned over $100,000 in calendar year 1985?

[The information follows:]

In calendar year 1985, 65 pilots earned over $100,000.

PILOT FORCE

Mr. COUGHLIN. How many pilots do you currently have and how many do you expect to have on board at the end of fiscal year 1986?

[The information follows:]

The Commission currently has in its pilot force 213 qualified pilots, 19 pilots in training, and 8 individuals in the pilot understudy program.

At the end of FY 1986, the Commission expects to have a total of 200 qualified pilots, 24 in training, and 24 individuals participating in the pilot understudy program. From the pilot understudy program, the individual moves up to pilot-in-training status.

LOCKS CONDITION

Mr. COUGHLIN. On page 13 you are requesting $45,262,000 for lock operations in fiscal year 1987. In general, what is the condition of your locks?

Mr. MCAULIFFE. I would say that the locks are in excellent condition. Our inspections as well as the detailed work done during the overhauls of the locks bear out the fact that our locks are well preserved and well taken care of.

It is interesting that the concrete poured in 1913 is still in excellent condition and this has been a matter of some surprise and favorable comment on the part of our engineers and engineers from outside the Commission.

TOWING TRACK SYSTEM

Mr. COUGHLIN. For the past several years we have talked about the status of your towing rail system. What is the status and estimated completion date of this effort?

[The information follows:]

The Commission has revised the plans for replacing the towing rail system by including the replacement of rails on the approach and wing walls; this totals 50,000 feet of waterside rails to be replaced at the three sets of locks.

As of February, a total of 30 thousand feet of rail and hardware have been replaced and encased in new high-strength concrete. An additional 900 feet of new rail and hardware have been installed and are undergoing finishing concrete work. Also, a total of 672 new rack sections have been installed.

Based on the work through February and the additional 10 thousand feet, the waterside portion is approximately 60 percent completed. During FY 1986, some of the waterside rail effort has been diverted to the performance of test replacement of landside rails, conductor slot, sidewall towing track switches and crossovers on the same system. This has become necessary as portions have been determined to have serious deterioration due to age and corrosion.

GENERAL MAINTENANCE

Mr. COUGHLIN. Is your lock maintenance and repair program for fiscal year 1986 on schedule and within your cost estimate?

Mr. MCAULIFFE. Yes, it is.

Mr. COUGHLIN. On page 14 would you provide for the record a breakdown of your $17,168,000 request for general maintenance?

[The information follows:]

Breakdown of the $17,168,000 request for general maintenance

	(Thousands $)
Buildings, including housing	$3,088
Locks, including repair of tow track	6,067
Power systems, including transmission spans	652
Public areas	658
Maintenance of channels, including preparation of dump sites for drydocking	1,106
Chilled water service	1,200
Water system	357
Maintenance of all other equipment	1,363
Maintenance of all other facilities	2,707
Total	$17,168

SHIP REPAIR FACILITY

Mr. COUGHLIN. What major repairs are you anticipating at your ship repair facility in fiscal year 1987?

[The information follows:]

The Commission does not anticipate accomplishing any major repairs on our ship repair facility in FY 1987. Nevertheless, this activity will continue to provide industrial overhaul and repair service to the lock miter gates, navigational service tugs and launches, dredging floating equipment, and other Commission facilities and equipment.

PROTECTION SERVICES

Mr. COUGHLIN. You are requesting $10,626,000 for fire and facility protection services. On page 32 you indicate that full-time equivalent staffing for this activity decreased from 402 staff years in fiscal year 1985 to 363 staff years in fiscal year 1986 and is proposed to increase to 385 staff years in fiscal year 1987. What is the reason for these fluctuations in staffing?

Mr. MCAULIFFE. The reduction in work years in fiscal year 1986 is due to the abolishment of two management trainee positions, 16 temporary and part-time positions in Canal protection and a delay in filling vacancies in the fire protection area.

And in 1987 the increase is due mainly to the addition of 16 security guards based on the Southern Command survey that I made reference to earlier.

Mr. COUGHLIN. Would you provide for the record the average salaries of your firemen and security personnel?

[The information follows:]

The average salaries for firemen and security personnel in FY 1986 are as follows:

Firemen	$24,783
Facility protection force	17,847

PAYMENTS TO PANAMA

Mr. COUGHLIN. On page 16 you show a fiscal year 1987 tonnage payment to the Panama of $55.03 million. Does this assume an adjustment to the per ton rate?

If so, what adjustment is assumed?

Mr. GIANELLI. Yes, we do project an adjustment from 31 cents to 33 cents per ton, Mr. Coughlin.

Mr. COUGHLIN. Would you provide for the record a table showing by fiscal year all payments made to Panama since the Treaty?

[The information follows:]

PAYMENTS TO GOVERNMENT OF PANAMA SINCE TREATY IMPLEMENTATION

[In millions of dollars]

	Fiscal year—						Total
	1980	1981	1982	1983	1984	1985	
Public service payment	$10.0	$10.0	$10.0	$10.0	$10.0	$10.0	$60.0
Fixed annuity payment	10.0	10.0	10.0	10.0	10.0	10.0	60.0
Tonnage payment	54.9	56.9	61.2	51.2	49.1	52.8	326.1
Subtotal							446.1
Contingency profit payment	2.7		.4		2.7	1.1	6.9
Total paid through fiscal year 1985							453.0

HEALTH SERVICE COST

Mr. COUGHLIN. You indicate that the cost of health services provided by DOD is projected to increase by about 20 percent from fiscal year 1985 to fiscal year 1987. What is the reason for this increase?

[The information follows:]

This increase is due to anticipated reimbursable rate increases charged the Commission by DOD for services provided PCC employees.

APPRENTICE/TRAINEE PROGRAM

Mr. COUGHLIN. Also on page 16 why are your apprentice and other trainees' salaries estimated to more than double over this same 2-year period?

[The information follows:]

The doubling of trainee salaries between fiscal year 1985 and fiscal year 1987 will occur as a result of a significant increase in the overall number of apprentices and

trainees and the final elimination in September 1985 of the Dual Wage System which resulted in higher wages paid to apprentices and other trainees.

VESSEL ACCIDENTS

Mr. COUGHLIN. Would you update for the record the tables on pages 284 and 285 of last year's hearing record showing claims filed and paid during fiscal years 1985 and 1986?

[The information follows:]

CLAIMS FILED DURING FISCAL YEAR 1985

Vessel	Date of accident	Amount claimed	Amount paid	In locks
1. Alden W. Clausen	July 19, 1984	$16,535.00	$16,535.00	
2. Almirante Cochrane	Aug. 30, 1984	20,736.90	11,405.00	X
3. American Osprey	Apr. 9, 1983	80,334.99	41,517.00	
4. Araucano	Dec. 13, 1983	119,998.00	119,932.00	
5. Arco Heritage	Dec. 11, 1981	49,420.00	49,385.00	
6. Asia No. 17	Aug. 23, 1983	347,358.21		
7. Baldbutte	Mar. 11, 1984	196,838.28	175,000.00	
8. Barber Terrier	Oct. 28, 1982	4,812.60	2,730.00	
9. Dock 7–NPA	Nov. 7, 1984	24,789.24	24,789.24	
10. Dyvi Skagerack	Dec. 7, 1984	16,316.00	[1]	
11. Fujihoshi Maru	Nov. 11, 1982	141,031.17		
12. Kilmun	June 26, 1984	80,115.10		
13. Midas Rhein	Oct. 1, 1984	847,360.93		
14. Pan Crystal	Apr. 18, 1983	85,000.00		
15. Rose City	Apr. 28, 1983	34,346.00	27,585.00	X
16. Thor Star	Nov. 22, 1981	[2] 18,690.28		
17. Toyota Maru No. 16	Nov. 22, 1981	[3] 4,701.55		
18. Ventura	Aug. 29, 1984	215,587.29		
19. Vladimir Brodjuk	June 26, 1984	252,623.00		X
20. Dunedin	Nov. 12, 1982	272,258.08		
21. Kiso Maru	July 5, 1984	96,587.72	96,126.72	
22. Exxon Boston	May 26, 1982	99,538.00	74,795.00	
23. Maipo	Jan. 10, 1985	69,488.62	39,253.20	X
24. Snaefugl	July 3, 1984	5,000.00	4,000.00	
Totals		$3,099,466.96	$683,053.16	

[1] Disallowed.
[2] Claim was filed in foreign currency, i.e., Denmark Krone. Exchange rate of 10.99 was tentatively used based on date of claim (Oct. 23, 1984).
[3] Claim was filed in foreign currency, i.e., 1,150,000 Japanese Yen. Exchange rate of 244.60 was tentatively used based on date of claim (Oct. 23, 1984).

CLAIMS FILED DURING FISCAL YEAR 1986

Vessel	Date of accident	Amount claimed	Amount paid	In locks
1. Cove Sailor	Mar. 2, 1982	$120,000.00		
2. Venus Diamond	Nov. 11, 1984	71,397.99		X
Total		$191,397.99		

CANAL STUDIES

Mr. COUGHLIN. Would you also list for the record the special Canal studies that you plan to complete during the balance of this calendar year?

[The information follows:]

The special Canal studies item provides $565 thousand in FY 1986 and includes approximately $300 thousand for the multi-year Gaillard Cut widening study. The study, which started in FY 1983 and deals with the technical, operational, economical, and environmental impact of widening a portion of the Canal, is expected to be completed around April 1986.

GENERAL CANAL EXPENSE

Mr. COUGHLIN. Why are you requesting an increase of 21 full-time equivalent positions for general Canal expenses in fiscal year 1987?

Mr. MCAULIFFE. This increase is related to additional input to our apprentice training program. The apprentice training program includes industrial training such as machinists, electricians, riggers, and so on, and also pilot training programs.

The latter are the programs that I alluded to earlier that are preparatory to moving into the pilot force.

SUPPLY ACTIVITY

Mr. COUGHLIN. On pages 17 and 18 you discuss your supply services activity. What is the estimated value of your supplies and materials inventory, and when was the last time you conducted a comprehensive review of your inventory requirements?

Mr. MCAULIFFE. The inventory balance is approximately $36 million. A comprehensive review was made during 1985, however, inventory balances are constantly monitored through our computerized inventory system and by the members of our inventory management branch.

Also, during the annual inventories, the overall status of inventories is physically reviewed.

MOTOR TRANSPORTATION

Mr. COUGHLIN. On page 18, you are projecting an increase of $383,000, or more than 13 percent, for motor vehicle operations from fiscal year 1985 to fiscal year 1987.

With the price of gas decreasing, why are you projecting this increase?

[The information follows:]

The increase in motor vehicle operations is principally associated with inflation and the additional payroll costs resulting from the elimination of the dual wage system which occurred in September of 1985. Although fuel costs represent a minor part of the cost of this activity, the estimate for fuel was based on the assumed price level at the time of budget development and not on current outlook.

MOTOR VEHICLE FLEET

Mr. COUGHLIN. Would you update for the record the information on motor vehicles which was included on pages 287 and 288 of last year's hearing record?

[The information follows:]

MOTOR VEHICLE FLEET SIZE

GSA Reportable Fleet	Actual 1985	Estimate 1986	Estimate 1987
I. Passenger-carrying vehicles	208	208	208
II. Non-passenger-carrying vehicles:			
a. Small trucks (8,500 GVW or under)	476	498	498
b. Medium trucks (8,501 to 23,999 GVW)	84	86	86
c. Large trucks (24,000 GVW or over)	42	44	44
Total non-passenger	602	628	628
Total passenger and non-passenger	810	836	836

POWER SYSTEM

Mr. COUGHLIN. On page 19 why are your operating expenses for power generation estimated to increase by about 25 percent from fiscal year 1985 to fiscal year 1987, particularly with the decrease in fuel oil prices?

[The information follows:]

The Commission generates power through hydroelectric means, steam, and gas turbines. Power is also purchased when it is necessary to augment the Commission's generating capacity. During FY 1985, the Canal had a very heavy rainy season; consequently, the Commission was able to utilize its hydroelectric means quite extensively to satisfy power demands. This in turn significantly reduced the use of fossil fuels in meeting power-generating requirements. The FY 1987 budget reflects increased use of the Commission's thermal-generating unit, i.e., an increase in the use of thermal generation with a fall-off of hydroelectric generation. Also contributing to the increase is the effect of inflation.

Mr. COUGHLIN. What were your operating expenses for power generation for the first five months of fiscal year 1986?

[The information follows:]

Operating expenses for power generation for the first five months of fiscal year 1986 were $8,474,000.

UTILITY SYSTEM PROBLEMS

Mr. COUGHLIN. Have you had any significant operating problems with your power, communications or water systems during the past year?

[The information follows:]

No significant problems have been encountered in the Commission's utility systems during the past year.

ELECTRONIC ACTIVITY

Mr. COUGHLIN. On page 20 why are you estimating an increase of about 18 percent for maintenance and operation of your electronics systems for fiscal year 1985 to fiscal year 1987?

[The information follows:]

The increase reflected in the electronic system activity is basically due to cost escalation and the additional personnel requirements to handle increasing security systems installation and maintenance and increasing Commission use of computer and data communication systems.

HOUSING

Mr. COUGHLIN. You are requesting $4,143,000 for housing. How many housing units will you be operating and maintaining in fiscal year 1987 compared with fiscal year 1985?

[The information follows:]

At the beginning of FY 1985, the Commission had a total of 3,075 housing units for which it was responsible. In that year, 1,180 units were transferred to Panama. An additional 276 units have been transferred to Panama in FY 1986 with an additional 24 planned in FY 1987. At the end of FY 1987, the Commission expects to be operating and maintaining 1,595 housing units.

PRINTING OFFICE

Mr. COUGHLIN. On page 23, why are the operating expenses for your printing office estimated to increase by about 25 percent from fiscal year 1985 to fiscal year 1987?

[The information follows:]

The amount for the Printing Office in 1985 is not comparable to those in 1986 and 1987 because of a change in the accounting for cost of paper and other office supplies. In 1985, the costs of these items were charged to "Supply Services" activity on page 17, while in fiscal years 1986 and 1987, the costs are included in the Printing Office's activity.

ADMINISTRATIVE AND GENERAL EXPENSE

Mr. COUGHLIN. On page 24 your administrative and general expenses are projected to increase by about 22 percent from fiscal year 1985 to fiscal year 1987, even though no change in personnel is shown for this activity.

Why are these costs increasing at this rate—are not most of these expenses related to salaries?

Mr. MCAULIFFE. The increase in administrative and general expenses is primarily due to inflation, and to fuller occupancy of positions. Some positions we kept open last year, for example, because of the uncertainty at the beginning of the year as to how our revenues would go.

We are also providing for a position of an economist to help us with traffic and toll projections for the future and for developmental training positions which are designed to take young Panamanians, many of them professionals, and integrate them in to our work force.

CONSULTANTS

Mr. COUGHLIN. Last year it was indicated that your funds for consultant services were to provide for a review of the tolls system. What is the status of this review?

Mr. MCAULIFFE. We have an ongoing evaluation of our toll system but we do not now have a consultant specifically for this work. This was related to our consideration of the adoption of the Universal Measurement System as the basis for Panama Canal tolls. We have decided to defer the adoption of that system for a few more years, so that we may see how it is being used in ports of the United States and around the world.

In addition to that we have work relating to traffic forecast and tolls sensitivity of which Mr. Gianelli described earlier.

Mr. COUGHLIN. Would you provide for the record a breakdown of your fiscal year 1987 request of $386,000 for consultants and advisors similar to that provided on page 289 of last year's hearing record?

[The information follows:]

Detail of consultants and advisors

[Fiscal year 1987 estimate]	*Thousands*
Transit Operations	$41
The funds in FY 1987 provide for consultant services in support of Canal modernization and improvement. These services contribute directly to Canal operational efficiency.	
General and Administrative	345
The funds in FY 1987 allow for consultant services to provide expert advice and evaluation of a review of the tolls system, advice on vessel accident claims and other Commission litigation, Canal traffic forecasts, services in labor relations hearing cases, and risk assessment studies. These services are essential to maintain efficient services and to comply fully with Government regulations.	
Total operating expenses	$386

STATE'S TRAVEL

Mr. COUGHLIN. On page 28, why is your employees' state travel estimated to increase by 50 percent in fiscal year 1986?

[The information follows:]

With the enactment of P.L. 99-229, entitled "The Panama Canal Commission Authorization Act, Fiscal Year 1986," employee home-leave benefits were changed to allow one home-leave trip each year, instead of the previous one trip every two years; and educational travel was increased to two trips per year instead of the previous one trip per year for those eligible for the equity adjustment package. Consequently, the budgeted amount for employee States' travel reflects this increased authority.

WORKYEAR INCREASES

Mr. COUGHLIN. In addition to the personnel increases we have previously discussed, you are requesting increases of nine staff years for maintenance of channels, five staff years for supply services, and two staff years for communications systems.

Why do you believe you need these increases?

[The information follows:]

The Commission's additional staffing requirement in FY 1987 in Maintenance of Channels, Supply Services and Communication Systems, is provided below:

Maintenance of Channels: Increase use of temporary hire for Dredging Operations	9
Supply Services:	
Establishment of a Co-Op intern position	1
Full-year effect of positions filled in 1986	4
	5
Communications: Requirement for one Electronic Technician and one Antenna Mechanic	2

GRAMM-RUDMAN-HOLLINGS

Mr. COUGHLIN. The application of Gramm-Rudman-Hollings to the Canal's fiscal year 1986 appropriation does not contribute to

the reduction of the Federal deficit as intended by the authors of the statute, but will, instead, generate a cash payment to Panama.

In addition, but exclusive to the Gramm-Rudman-Hollings, the Canal has had record traffic and revenues for the first four months of fiscal year 1986. The Canal is making more money than expected.

What do you recommend we do about this situation?

[The information follows:]

In order to bring the Commission's expense projections more in line with the revenue projections, the only viable recommendations include exemption from Gramm-Rudman, or absent that, a provision for supplemental funding authority.

Mr. COUGHLIN. If the automatic sequestration is upheld when the Supreme Court looks at the constitutionality of Gramm-Rudman-Hollings, or if Congress and the President agree on across the board cuts in the fiscal year 1987 budget, how will this impact on the Canal?

[The information follows:]

The Gramm-Rudman-Hollings Law in FY 1986 is requiring the Commission to reduce its appropriation level by $18.3 million. It is expected, unless the Commission receives an exemption in 1987, that a much larger reduction will be required in FY 1987. Such a reduction in 1987 will have disastrous effects on the Commission's operating and capital programs. At the same time, any reductions associated with Gramm-Rudman-Hollings serve no useful purpose inasmuch as they do not contribute to the Federal deficit reduction goal, but instead, result in the Commission remitting a contingent profit payment to the Republic of Panama.

Mr. COUGHLIN. Mr. Chairman, I am finished.

Mr. LEHMAN. Mr. Wolf?

Mr. WOLF. I have no questions, thank you.

CAPITAL OUTLAY

Mr. LEHMAN. You are requesting $27.48 million for capital projects. What is your present unobligated balance?

[The information follows:]

As of the end of February 1986, the unobligated balance for capital appropriations was $27,832,374.

TUGBOATS

Mr. LEHMAN. On page 36, you are requesting $3.5 million for a replacement tugboat and you state that this will impact favorably on your tugboat maintenance costs.

However, you have been replacing tugboats for several years, but as indicated on page 11, your operation and maintenance costs are continuously increasing.

When are these maintenance cost savings going to be reflected in your operating budget?

Mr. MCAULIFFE. We are replacing tugboats. We do have a replacement not only in 1986, but also in 1987, because we still have a significant portion of our tugboat fleet that is old and that is under-powered for the types of heavy ships now using the Canal.

We have also made major efforts to standardize on our new tugboats. This is not to say that each boat is identical but the boats do share common power systems, navigational equipment, and related systems—electrical and hyraulic.

That has helped us in our training and in our development of specialist personnel.

I am satisfied that the steps we have taken have helped us achieve more effective maintenance programs for the boats. On the other hand, there have been increasing costs, because, in the previous two years we gradually eliminated the previous dual wage system. We are now paying all of our specialist personnel at the same rates which has increased our payroll costs. This has offset some of the efficiencies that we have been able to make in the maintenance program.

Mr. LEHMAN. How old is the Rousseau, which you intend to replace?

[The information follows:]

The tug *Rousseau* was built in 1967 and is 19 years old.

TUGBOAT FLEET

Mr. LEHMAN. Would you list for the record the names of tugboats, the age of each, and the estimated year of replacement for those which you intend to replace in the next five years?

[The information follows:].

Name	Year	Age	Replacement
Navigation Services:			
Goethals	1961	25	1986
Stevens	1961	25	1987
Rodman	1966	20	1989
Rousseau	1967	19	1988
Schley	1968	18	1991
Trinidad II	1968	18	1990
Harding	1970	16	
Mehaffey	1970	16	
Morrow	1971	15	
Walker	1977	9	
Burgess	1977	9	
Parfitt	1981	5	
Progreso	1981	5	
Alianza	1981	5	
Amistad	1982	4	
Esperanza	1985	1	
Floating Equipment Support:			
Cardenas	1934	52	
San Pablo	1944	42	

DIESEL CRANES

Mr. LEHMAN. You are requesting $1.47 million to replace two diesel cranes, which you state are becoming unreliable. Can you provide some specific examples of how this has affected your lock overhaul work?

[The information follows:]

A total of four diesel cranes are scheduled to be replaced (two in FY 1987 and two in FY 1988) because they are obsolete and the manufacturer no longer makes replacement parts. Additionally, neither meets OSHA standards with respect to being capable of lifting personnel. This capability is most essential, particularly, during

annual locks overhauls when cranes are used to lift personnel into or out of empty lock chambers or are used in providing suspended work platforms.

LAUNCHES

Mr. LEHMAN. How many pilot/boarding boats do you intend to replace, how are these boats used, and what is the size of the new boat and the size of the boat being replaced?

[The information follows:]

In 1987, we intend to replace one pilot launch. These launches are used primarily to take Panama Canal pilots to and from ships before and upon completion of their transit through the Canal. They may also be used to transport admeasurers and boarding inspectors to board ships before they are cleared for transit through the Canal. The new launch will be 53' long x 16' wide. The launch which we anticipate replacing is 45' x 13'.

DIVING BARGES

Mr. LEHMAN. How old is your diving barge and your two fuel barges you are proposing to replace and what problems are you having with these barges?

[The information follows:]

The diving barge and two fuel barges which we propose to replace are each 44 years old. They have reached the point where major rebuilding work would be required in order to keep them safely afloat.

OTHER TRANSIT REQUIREMENTS

Mr. LEHMAN. On page 37 you are requesting $2,435,000 for maintenance and repair operation requirements. This is more than a $1 million increase over fiscal year 1986. What is the reason for this significant increase in this equipment in fiscal year 1987?

[The information follows:]

Although the $2,435,000 request represents a $1 million increase over fiscal year 1986, it is only a 5 percent increase over the fiscal year 1985 amount of $2,316,000. The downward fluctuation in FY 1986 was due to funding restraints and the necessity to fund other major projects. The economic service life of equipment, Commission priorities, and its projected capital financing capabilities govern the number of projects and amount devoted to the maintenance and repair operation.

PCB TRANSFORMERS

Mr. LEHMAN. You are requesting $1.54 million for your continuing program to replace transformers containing PCB. How much of your fiscal year 1986 appropriations for this purpose remains unobligated and, if any, when do you intend to obligate these funds?

[The information follows:]

The entire $690,000 requested in FY 1986 remains unobligated; however, the Commission's solicitation for 72 transformers was advertised in the Commerce Business Daily on February 25, 1986. Responses have been coming in and the project is expected to be awarded on or about April 1, 1986.

FIRE PROTECTION ON LOCKS

Mr. LEHMAN. Last year it was stated that the fire protection system for your locks was a "nonrecurring" project.

This year you state that it is a multi-year project which requires an additional $1.9 million in fiscal year 1987.

Would you explain this?

Mr. MCAULIFFE. The fire improvements which we had planned a year and a half ago were accomplished, but in doing so and in conjunction with a survey that we made of the fire protection of our locks, in particular, we found that we needed to embark upon a project of greater magnitude. This project basically is one which provides water and foam capabilities at the locks.

We now have mobile systems so that if there is a fire threat today, we have a means of combatting it.

But we want to have a more extensively installed system and this is what we are trying to do starting with this budget year.

NAVIGATION AIDS

Mr. LEHMAN Would you elaborate on your $1,055,000 request for navigational aids, indicating what, if any, navigation systems you have at Flamenco Island and Cristobal, and what problems you are having with your lighting system in the Gaillard Cut?

[The information follows:]

Funding for Navigational Aids provides for the development, testing or adoption of a variety of navigational improvements throughout the Canal which include:

a. Development and testing of a prototype approach speed indicator system for measuring vessel speed as it approaches the locks structure.

b. Installation of a harbor surveillance radar system in the Cristobal Signal Station to provide more efficient and safe movement of vessels in a congested area.

c. Replacement of the optical range finder at Flamenco Signal Station with a more advanced system.

Neither signal station has a formal navigational system as they function as communication center and initial point of contact between arriving vessels and Marine Traffic Control. Navigational guidance is limited to providing advice on safe anchorage positions.

The existing lights in the Gaillard Cut must be improved in view of the safety required to transit larger ships in periods of low visibility. Plans are in progress to test luminares with various beam spreads using high intensity discharge lights instead of the regular fluorescent lights now in place. These 1987 funds will be used to capitalize parts of the installations which prove successful.

TRANSIT FACILITIES

Mr. LEHMAN. On page 38 you are requesting $1,559,000 for repair, rehabilitation and replacement of transit facilities. This is a substantial increase over your fiscal year 1986 level. How are these requirements determined?

[The information follows:]

Requirements for repair, rehabilitation, and replacement of transit facilities are determined on the basis of operational and maintenance considerations. For 1987, several medium-size projects were identified with attractive operational benefits, resulting in a substantial increase over the fiscal year 1986 level. These projects include consolidation of first aid, safety and security operations and facilities at the Industrial Division at Mt. Hope in an expanded and rehabilitated facility; rehabilitation and improvement of a telemetry network station that will include a water discharge measuring wire and instrumentation to improve water utilization and flood forecasting; relocation of launch operations at Cristobal to provide increased security and more efficient operation; and the addition of a refueling facility at Miraflores Tug Landing, which is a cost-effective measure, thus eliminating the need for tugboats in Miraflores Lake or Gaillard Cut to travel to Balboa to refuel.

TELEPHONE CONSOLIDATION

Mr. LEHMAN. You are requesting $660,000 to consolidate the Commission's telephone system. Why do you believe this is essential?

[The information follows:]

The purpose of this project is to provide uniform switched data and voice communication service to the three locks and the Gatun area equivalent to that being provided to the entire Pacific area under projects approved for FY 1985 and FY 1986. It represents the second phase of a multi-year contract which will result in the ultimate conversion of the Commission's telecommunications systems to a digital network capable of interconnecting data terminals and computer systems economically in addition to improving voice communications services. It will also reduce maintenance costs by providing the means to eliminate a switching center for the network at Mt. Hope.

MTC REPLACEMENT

Mr. LEHMAN. You are requesting $468,000 to replace the marine traffic control communications console system.

How old is this system and what problems are you experiencing with it?

[The information follows:]

The system to be replaced is 12 years old. This system has become obsolete and is inadequate for operations and is difficult to maintain. It has reached its full radio-channel capacity and it cannot accommodate all circuits now used in transit operations. In addition, spare parts are difficult to obtain.

MICROCOMPUTER REPLACEMENTS

Mr. LEHMAN. Would you indicate for the record the number of microcomputer systems you plan to replace, the function these systems will perform and the age of those being replaced?

[The information follows:]

This project is intended both for addition, as well as replacement, of microcomputer systems throughout the Commission. The approximate number of systems to be replaced is 10, with about 50 new systems being added. These systems will be used in a wide range of operations, many with multiple functions. Typical applications include computer-aided design and drafting, financial management, job control systems, word processing, engineering studies, data base management and other office automation requirements. The average age of the 10 units being replaced is six years old.

WATER FILTRATION IMPROVEMENTS

Mr. LEHMAN. On page 39, would you elaborate on your request of $835,000 to replace the sedimentation basin drain valves at the Miraflores filter plant, indicating the reasons the replacement is essential and the basis for your cost estimate?

[The information follows:]

The project to replace sedimentation basin drain valves at the Miraflores Filter Plant consists of removing the existing twenty four 20" hydraulically-operated gate valves and installing new butterfly valves of same size with all required piping modifications. The new valves will be electrically operated rather than hydraulically operated in order to allow for remote operations. The existing drain valves have had 70 years of service life and are in deteriorated condition, and are frequently difficult to open and close, delaying monthly basin cleaning operations. The drain valves are a costly maintenance problem, and it is anticipated that the replacement will avoid serious operational problems in the future. The Miraflores Filter Plant provides potable water to Commission facilities on the Pacific side of the Isthmus.

QUESTIONS SUBMITTED BY HON. SILVIO O. CONTE

Mr. LEHMAN. Mr. Conte could not be here this morning, but he had some qestions, so we will submit those to you at this point.

GRAMM-RUDMAN

Mr. CONTE. The problem of the impact of Gramm-Rudman-Hollings on the operations and financing of the Panama Canal Commission has received a great deal of publicity. As I understand it, the effect of Gramm-Rudman-Hollings is to increase the amount of the Commission's payment to the Government of Panama, but without having any impact on the U.S. deficit.

Is that correct?

[The information follows:]

Yes, that is correct. Application of the Gramm-Rudman-Hollings Act to the Commission will generate a profit which, under paragraph 4(c) of Article XIII of the 1977 Panama Canal Treaty, must be paid to Panama. According to the figures provided by the Office of Management and Budget, the Commission will be required under the Act of reduce its expenditures by $18.3 million during the current fiscal year. Canal traffic and revenues for the first four months of that period are exceeding the projections on which our budget was based. As a combined result of this increase in traffic and the required Gramm-Rudman reductions, we estimate that the Commission will be required to make a profit payment to Panama of at least $18.3 million. In other words, the Gramm-Rudman-Hollings reductions will not contribute to the Federal deficit reduction goals intended by the authors of that statute but will, instead, generate a cash profit payment to the Government of Panama.

Mr. CONTE. From an operational standpoint, could you explain the effect of the Gramm-Rudman-Hollings cutback?

[The information follows:]

From an operational standpoint, the effect of the Gramm-Rudman-Hollings cutback will be to seriously undermine the Commission's ability to operate the Canal efficiently and safely.

In order to give prority in funding support to daily operational requirements, that is, to the movement of vessels through the Canal, the cuts in funding will have to be absorbed in maintenance, training, procurement, and personnel hiring programs. Slippage in maintenance programs for this 70-year old Canal and its operating facilities and equipment can have serious consequences for the future.

Deferral of training programs can cause serious gaps in the readiness of young Panamanian employees to replace the older, skilled U.S. employees. The current hiring freeze and stretch-out of procurement directly contribute to shortfalls in maintenance and in personnel readiness. To embark on such a course now—a reversal of the course pursued for the past six years of continued improvements in operational effectiveness and safety, supported with beneficial training programs—would undermine the confidence of the maritime world in the United States as the operator of the Panama Canal and set a poor example for Panama, the future Canal operator.

FY 1986 SUPPLEMENTAL

Mr. CONTE. I have been told informally that the Administration would not object to a $20 million supplemental for the Panama Canal Commission, apart from the supplemental requested in the President's budget.

I understand that timing is a problem for you. Why is it critical to move a supplemental quickly, rather than waiting for the several months that an ordinary supplemental might take?

[The information follows:]

The Commission has already begun to implement actions to reduce operating programs to accommodate the reductions required by the Gramm-Rudman-Hollings

Law. The later any supplemental financing becomes available to the Commission, the less time there will be to reverse the austerity operating mode and thus use those resources in the most efficient manner. It is estimated that the additional funding authority would need to be available before June in order to obtain maximum benefit to the Canal.

Mr. CONTE. If you were to receive a $20 million supplemental as late as April or May, would you be able to obligate those funds during the remainder of the fiscal year, so as to avoid the windfall payment to Panama?

[The information follows:]

We are confident that we can do so and every effort will be made to obligate the funds associated with any supplemental appropriation. The extent to which the Commission would avoid a windfall payment to Panama is difficult to predict at this time with any degree of precision. However, the additional funding authority would serve to allow the Commission to spend up to current revenue levels by hiring personnel to handle the increased transit work load and by accomplishing essential maintenance, overhaul, and training programs. The lack of any supplemental funding only ensures that the difference between the high revenue levels currently anticipated for 1986 and the expense levels constrained by the low appropriation level, is remitted to Panama.

PCB TRANSFOMERS

Mr. CONTE. In your capital program, you are continuing with your program to replace transformers containing PCB's. What size are those transformers, how many of them are there, how much are you budgeting for this project, and where are you going to get the transformers?

[The information follows:]

The Commission plans to replace a total of 190 transformers; to date, we have replaced 12. The total cost of this project, which was begun in FY 1984, is expected to approximate $3.5 million. Budget amounts for FY 1986 and 1987 and the amount expected in FY 1988 are as follows:

	Million $
FY 1986	$0.7
FY 1987	1.5
FY 1988	1.2

The Commission follows Federal Acquisition Regulations (FAR's) in the procurement of its material, supplies, and services. The most responsive bid will be the determinant as to where the Commission will purchase the transformers. The amounts budgeted include the cost of installations.

INTEREST EXPENSE

Mr. CONTE. The budget calls for interest collected on the U.S. investment in the Canal from 1986 and beyond to be paid into miscellaneous receipts into the U.S. Treasury.

What impact would this proposal have on your financing and operations?

[The information follows:]

The Commission believes this interest issue was clarified with enactment of P.L. 99-195, which requires the Commission to deposit that portion of receipts attributable to interest as a miscellaneous deposit into the U.S. Treasury. Since the Act did not require interest collected through December 31, 1985 to be transferred to the general fund, the Commission supported this Act. The depositing of current and future interest receipts into the general fund stopped the erosion of the United States investment base in the Canal. The Commission's budgets for fiscal years 1986 and 1987 recognize this non-eroding base and its financial impact in its operating expenses, and the costs are included in the budgets.

FUNDING CONVERSION

Mr. CONTE. It is proposed that in 1987 the Panama Canal Commission be financed out of general fund appropriations with receipts placed in a proprietary account.

What impact would this have on your financing and operations?

[The information follows:]

The proposed change in FY 1987 will have no impact on Commission financing or operating programs. The principal reason the Commission is seeking to eliminate the special fund is because there has been considerable controversy over the Commission's use of the funding authority associated with the remainder of the first year's general fund appropriation and accumulated interest. The conversion to the general fund will allow the Commission to operate as most other Government agencies. At the same time, the Commission's relinquishment of those funds will eliminate the source of controversy.

SEA-LEVEL CANAL

Mr. CONTE. Would you bring me up to date on the status of the three-country study of a new sea-level canal, please?

[The information follows:]

The study of the possible construction of a sea-level canal or another transportation alternative in Panama will be accomplished at a national level by the governments of Panama, Japan, and the United States. A Canal Alternatives Preparatory Committee, comprised of representatives from the three countries met for three years to develop the terms of reference for the feasibility study which will consider a full range of Isthmian alternatives to the Panama Canal, including modification of the existing waterway. That Committee completed their work late last year, and representatives of the three countries signed an agreement to proceed with the formal study, which is expected to cost approximately $20 million and take approximately five years to complete.

The study has not yet begun since the U.S. has not yet named its participants. A dialogue between the Department of State, the Department of Defense, and the Panama Canal Commission is continuing in order to reach agreement on U.S. policy regarding the study.

CUT WIDENING

Mr. CONTE. What is the status of your study of the widening of the cuts within the Canal? Have you taken a look at the alternative financing methods for such a project?

[The information follows:]

The study of the possible widening of Gaillard Cut is progressing well and should be completed by early calendar year 1987. The most important elements, including the technical, operational, economic and environmental analyses, have been completed or will be finished shortly. The financial analysis is the major element still to be accomplished. That analysis, to be conducted under contract, will evaluate potential alternatives for financing the cut widening project and ultimately recommend the best source of finance. Potential contractors are being evaluated at this time and a contract to conduct the financial analysis is expected to be awarded within two months.

Mr. CONTE. In connection with the widening of the Canal, would you identify the various options that are under consideration and indicate the estimated costs associated with each?

[The information follows:]

Although the main thrust of the Cut Widening Study is directed at evaluating the widening required to eliminate current meeting restrictions (one-way traffic), four other options short of full widening are being considered. These include the construction of additional tie-up stations, the construction of a passing lane, the elimination of some of the meeting restrictions by widening to a dimension somewhat

less than the one required for uninterrupted two-way traffic, and the widening to full dimension of a portion of Gaillard Cut.

The estimated cost associated with each alternative is still not known. Preliminary figures indicate that the cost, in current dollars, may range from a high of $400 million for the full widening option to as little as $10 million for the construction of a tie-up station in the middle of the Cut. These costs do not include any interest costs which may be associated with the project.

Mr. CONTE. To what extent is the narrow cut in the Canal a bottleneck, or is lock capacity the real constraint on Canal traffic?

[The information follows:]

Because Gaillard Cut is only 500 feet wide, large-beam vessels, for safety purposes, are restricted to schedules which provide one-way transit through the Cut. With each change in transit direction, there is a period during which the Pacific Locks remain idle. Elimination of the one-way traffic restriction would thus improve the utilization of the locks and increase Canal capacity. The size of the lock chamber (1,000 feet long by 110 feet wide) and the lockage time would then be the primary limiting factors to the size and number of vessels that can use the Canal.

USE OF CANAL

Mr. CONTE. What portion of worldwide shipping is unable to use the Canal because of lock size constraints?

[The information follows:]

More than 90 percent of the vessels in the total world merchant fleet of 1,000 gross tons and over are able to transit the Panama Canal. In fact, the number of new buildings of vessels too large to transit the Panama Canal has declined during the past three years, while the number of vessels able to transit the Panama Canal have been increasing.

PROGRESS REPORT—CANAL TRANSFERS

Mr. CONTE. Could you describe the progress that is being made in terms of providing for the ultimate transfer of the Canal and its operations to Panama?

[The information follows:]

The Panama Canal Treaty of 1977 establishes a framework which ensures that steady progress toward this objective is made. The work force of the Commission is now 80 percent Panamanian, up from 69 percent when the Treaty entered into force in 1979. It is anticipated that by 1999, the Commission work force will be nearly 100 percent Panamanian. As another requirement of the Treaty, considerable effort is being made to train Panamanians employed by the Commission. More training is being offered to more Panamanians to ensure the work force continues to possess the high degree of skill that has historically characterized the Canal's work force. In addition, maintenance and capacity improvement programs are being followed which enable the Canal to continue to meet shipping traffic demand efficiently and safely. As a result of these and other requirements of the Treaty, smooth, steady progress is being made toward the transfer of the Canal to Panama in 1999.

LOSS OF PRIVILEGES

Mr. CONTE. Last year, we were made aware of problems surrounding the loss of certain privileges by Commission employees, such as commissary and postal service.

How have those issues been resolved?

[The information follows:]

In order to somewhat offset the loss of military commissary, post exchange, and postal services to Commission employees, the Board of Directors instituted an employee equity package in lieu of a cost-of-living allowance payment. This package provides these employees with additional home leave and educational travel, no charge for Commission-furnished housing nor Commission-furnished utilities. The consensus in that this package has served a useful purpose in improving the morale

of the U.S. citizen employees of the Commission. Not everyone, of course, is satisfied with every aspect of the package, but it has been generally received as a positive influence in their lives. Most importantly, it has helped to retain skilled U.S. employees.

HOUSING PROBLEM

Mr. CONTE. Would you comment on the occupation of Commission housing by Panamanian nationals?

Has the housing situation for Commission employees been resolved?

[The information follows:]

The transfer of excess housing units to the Republic of Panama continues and is generally accomplished without difficulty. However, last September, the identification for transfer of housing on the Atlantic side, where there is a critical housing shortage in the city of Colon, resulted in an incursion into and the illegal occupancy by squatters of a number of vacated housing units. These initial problems delayed the start of the Phase III housing transfer plan, and little over a month elapsed before negotiations between Panama and the U.S. resulted in an agreement on the Atlantic side squatter incursion.

Efforts continue to develop a satisfactory program to assign our functionally important Panamanian employees to housing near their work sites. To date, 30 such employees have been assigned to Commission housing in Margarita and Gamboa which has already been or soon will be transferred to Panama.

In regard to U.S. citizen employees of the Commission, adequate units will be retained in designated Commission core areas to house these employees through the year 1999.

SIGNIFICANT PROBLEMS AHEAD

Mr. CONTE. Would you identify the most significant problems or issues that will be facing the Canal and the Commission over the next five years?

[The information follows:]

There are several significant issues that could have a bearing on the operation of the Canal over the next five years as follows:

1. The adverse impact the sequestration of funds under the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 will have on the ability of the Commission to continue to provide safe and efficient transit service.

2. The continuing need to generate resources sufficient for assuring an efficient Canal operation while maintaining prices competitive with alternatives to the use of the waterway.

3. Resolution of the cash-flow problem the Commission faces as an appropriated-fund agency should it be required to transfer to the general fund of the Treasury the amounts attributable to interest of the United States in the Panama Canal which accrued prior to January 1, 1986 and the balance of the FY 1980 general fund appropriations.

4. The decision as to whether the Gaillard Cut should be widened, along with the means by which such a project can be financed.

5. The transition in 1990 of having a Panamanian citizen rather than a U.S. citizen serve as Administrator of the Panama Canal Commission.

VEHICLE PURCHASES

Mr. LEHMAN. You are requesting $2,485,000 to purchase motor vehicles. Last year it was indicated that you had 786 vehicles in your fleet.

What is your current fleet size and what are you projecting for fiscal year 1987? Will these be American vehicles? I know you buy your mules in Japan—we are talking about tugboats. What are the Buy America implications of these purchases?

Mr. MCAULIFFE. First, Mr. Chairman, we did plan to maintain the total of 786 vehicles in both 1986 and 1987, however, there have been some workload variations in types of vehicles required for operation and we are planning on a slight increase.

Our vehicles are all made in the United States. Many of these vehicles are purchased through the General Services Administration.

Others we procure directly. But I would like to answer for the record how the Buy America Act would apply to us in this instance.

Mr. LEHMAN. And also in regard to the tugboats?

Mr. MCAULIFFE. And in the tugboats, yes.

Mr. LEHMAN. In general, how are you affected by the Buy America provisions?

Mr. MCAULIFFE. I do not believe that affects us in any way, Mr. Chairman, but I would like to verify that, and maybe elaborate in the record.

Mr. LEHMAN. Thank you.

[The information follows:]

The Federal Acquisition Regulations (FAR) prescribe in Part 24 the procedures and regulations to be followed with regard to the "Buy America Act." The Panama Canal Commission conducts its procurement activities in accordance with the controlling FAR. As a result of the 1977 Treaty with Panama, the Commission is required to provide preference in the procurement of locally available products. The preference for Panamanian procurement, which is stipulated in the Panama Canal Treaty, is implemented by awarding to Panamanian firms in those cases where the bid evaluation process determines that the bid is responsible, responsive and equal, or better, in all aspects to all other bids received. Panama, however, does not have the industrial capability to manufacture large capital items and, accordingly, the majority of our purchases are usually awarded to U.S. firms.

GRAPHIC EQUIPMENT

Mr. LEHMAN. On page 39, what is the basis for your estimate of $110,000 to replace graphics equipment?

[The information follows:]

The graphics equipment estimate of $110,000 is based on requirements to replace photographic and audio-visual equipment which is over aged and exceeding its service life. Cost estimates are based on prices published in GSA catalogs.

REROOF STOREHOUSE BUILDING

Mr. LEHMAN. On page 40 how large is the storehouse, building 5083, for which you are requesting $445,000 to reroof?

[The information follows:]

The Cristobal Main Storehouse building scheduled to be reroofed in FY 1987 is 53,994 sq. ft.

ADVANCE ENGINEERING

Mr. LEHMAN. You are requesting $500,000 for advance engineering. Would you indicate for the record any major project for which engineering and design work has been completed, but no construction funds have been requested?

[The information follows:]

No major projects have been designed for which funds have not been requested. FY 1987 advance engineering funds will be used to accomplish designs of subsequent year projects.

Mr. LEHMAN. Would you also list for the record the major projects currently in the engineering, planning or design phase and those proposed for this phase in fiscal year 1987, including the timetable and estimated costs to implement each project.

[The information follows:]

MAJOR PROJECTS IN THE ENGINEERING, PLANNING AND DESIGN PHASE

	Estimated cost (thousands)	Timing
Fire protection all locks	$3,300	1986–87
Navigational Improvements	1,420	1987
Consolidate 1st aid, safety security fac.	351	1987
Reroof main storehouse building 5083	445	1987
Repl. Loco. turntable—all locks	1,680	1986–87
Reloc. Time Office at Miraflores Locks	350	1987
Install sluice valves on Miter Gate	2,700	1989
Replace MTCC Communication Contrl. System	468	1987
Replace Protective Relaying System	627	1987

FY 1986 SUPPLEMENTAL REQUEST

Opening Statement

Mr. LEHMAN. We will go on to the 1986 supplemental budget request. We will insert your prepared statement and budget justifications in the record at this point.

[The prepared statement of Mr. William R. Gianelli follows:]

PANAMA CANAL COMMISSION

SUPPLEMENTAL APPROPRIATION REQUEST

STATEMENT OF THE

SPECIAL ASSISTANT TO SECRETARY OF DEFENSE

FOR PANAMA CANAL AFFAIRS AND

CHAIRMAN, BOARD OF DIRECTORS

PANAMA CANAL COMMISSION

BEFORE THE

TRANSPORTATION SUBCOMMITTEE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 11, 1986

OPENING STATEMENT FOR SUPPLEMENTAL
APPROPRIATION REQUEST FOR FY 1986

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM WILLIAM R. GIANELLI, SPECIAL ASSISTANT TO SECRETARY OF DEFENSE FOR PANAMA CANAL AFFAIRS AND CHAIRMAN OF THE BOARD OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO PROVIDE TESTIMONY CONCERNING THE SUPPLEMENTAL APPROPRIATION REQUIRED FOR THE PANAMA CANAL COMMISSION FOR FISCAL YEAR 1986.

THE COMMISSION IS REQUESTING SUPPLEMENTAL FINANCING IN FISCAL YEAR 1986 AMOUNTING TO $25.6 MILLION. THE AMOUNT REQUESTED IS FOR TWO ITEMS. I WOULD LIKE TO BRIEFLY TOUCH UPON THE SIGNIFICANT ITEM INCLUDED IN THIS REQUEST--$24.5 MILLION ASSOCIATED WITH THE RECENT CHANGE IN THE COMMISSION'S TREATMENT OF MARINE ACCIDENTS. THE OTHER ITEM MR. McAULIFFE WILL ADDRESS.

ON DECEMBER 23, 1985, THE PRESIDENT SIGNED THE PANAMA CANAL AMENDMENTS ACT OF 1985 (PUBLIC LAW 99-209) WHICH MODIFIES THE RESPONSIBILITY OF THE PANAMA CANAL COMMISSION FOR DAMAGES CAUSED TO VESSELS OR THEIR CARGO, CREW, OR PASSENGERS WHILE PASSING THROUGH

THE PANAMA CANAL. WITH THIS CHANGE, THE COMMISSION CAN NOW RESOLVE CLAIMS FOR VESSELS DAMAGED OUTSIDE THE LOCKS IN THE SAME MANNER AS THOSE VESSELS DAMAGED INSIDE THE LOCKS.

IN ANTICIPATION OF THIS EVENTUALITY, THE COMMISSION HAS BEEN RESERVING REVENUES THROUGH THE YEARS TO COVER LIABILITIES FOR THESE ACCIDENTS. ACCORDINGLY, RESOURCES ARE AVAILABLE IN THE PANAMA CANAL COMMISSION FUND TO SETTLE SUCH CLAIMS AND APPROVAL OF THE REQUEST OF $24.5 MILLION WILL ALLOW THE COMMISSION TO DO SO. I WOULD LIKE TO REITERATE OUR APPRECIATION TO THE COMMITTEE AND ITS MEMBERS FOR THEIR INTEREST AND PERSEVERANCE IN MAKING THE MARINE ACCIDENT CHANGE POSSIBLE. THE CHANGES EMBODIED IN THE NEW LAW WILL ENABLE THE COMMISSION TO BE MORE RESPONSIVE TO OUR CUSTOMERS, THE SHIPPPING COMMUNITY.

CONCLUSION

GENTLEMEN, THIS CONCLUDES MY COMMENTS ON THE COMMISSION'S SUPPLEMENTAL REQUEST. I RECOMMEND THAT MR. McAULIFFE PROVIDE HIS COMMENTS AND WE BOTH WILL THEN BE AVAILABLE FOR QUESTIONS.

PANAMA CANAL COMMISSION

SUPPLEMENTAL APPROPRIATION REQUEST

FISCAL YEAR 1986

STATEMENT OF THE

ADMINISTRATOR, PANAMA CANAL COMMISSION

BEFORE THE

TRANSPORTATION SUBCOMMITTEE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 11, 1986

OPENING STATEMENT FOR SUPPLEMENTAL
APPROPRIATION REQUEST FOR FY 1986

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM DENNIS P. McAULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO PROVIDE TESTIMONY CONCERNING THE SUPPLEMENTAL APPROPRIATION REQUIRED FOR THE PANAMA CANAL COMMISSION FOR FISCAL YEAR 1986.

AS MR. GIANELLI HAS INDICATED, THE COMMISSION IS SEEKING A SUPPLEMENTAL REQUEST OF $25.6 MILLION IN FY 1986. THE MAJOR PORTION OF THIS REQUEST, SOME $24.5 MILLION, IS RELATED TO THE RECENT CHANGE IN THE LAW FOR HANDLING MARINE ACCIDENTS. MR. GIANELLI HAS ALREADY ADDRESSED THIS ITEM IN DETAIL SO I WILL LIMIT MY COMMENTS TO THE SECOND ASPECT OF THE SUPPLEMENTAL REQUEST. THE SECOND ITEM INCLUDED IN THE REQUEST IS $1.1 MILLION WHICH WILL ALLOW THE COMMISSION TO PAY THE GOVERNMENT OF PANAMA THE OBLIGATIONS ARISING FROM THE 1985 OPERATING PROFIT. THIS IS DUE THE REPUBLIC OF PANAMA PURSUANT TO PARAGRAPH 4(C) ARTICLE XIII OF THE PANAMA CANAL TREATY OF 1977 WHICH PROVIDES FOR PAYMENT UP TO TEN MILLION DOLLARS, TO BE PAID FROM CANAL OPERATING REVENUES TO THE EXTENT SUCH REVENUES EXCEED EXPENDITURES. WHILE THE PAYMENT AMOUNT IS SUBJECT TO CHANGE, INASMUCH AS THE GENERAL ACCOUNTING OFFICE HAS YET TO COMPLETE ITS

FINANCIAL AUDIT, WE DO NOT EXPECT THE AMOUNT TO CHANGE SIGNIFICANTLY.

RESOURCES ARE AVAILABLE IN THE PANAMA CANAL COMMISSION FUND TO COVER THESE TWO SUPPLEMENTAL REQUIREMENTS.

CONCLUSION

GENTLEMEN, THIS CONCLUDES MY PREPARED REMARKS. ADDITIONAL DETAIL HAS BEEN PROVIDED TO THE COMMITTEE AND I SHALL BE PLEASED TO JOIN WITH MR. GIANELLI TO ANSWER ANY QUESTIONS REGARDING THE COMMISSION'S SUPPLEMENTAL REQUIREMENTS FOR FISCAL YEAR 1986.

59-731 O—86——19

PANAMA CANAL COMMISSION

SUPPLEMENTAL APPROPRIATION REQUEST

FISCAL YEAR 1986

FOR

VESSEL ACCIDENT CLAIMS

AND

CONTINGENCY PAYMENT TO PANAMA

February 26, 1986

PANAMA CANAL COMMISSION

Supplemental Appropriation Request

FY 1986

for

Vessel Accident Claims and

Contingency Payment to Panama

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A-11-39A

PANAMA CANAL COMMISSION

Operations and Facilities

(Supplemental now requested, existing legislation)

For an additional amount for "Operations and faciiities," $25,619,000, to be derived from the Panama Commission Fund, of which $24,500,000 shall be available for payment of vessel accident claims as authorized by Public Law 99-209, and $1,119,000 shall be available for payment to the Republic of Panama, pursuant to article XIII, paragraph 4(c) of the Panama Canal Treaty of 1977.

PANAMA CANAL COMMISSION

Justification

Item 1. Vessel Accident Claims - $24.5 million

From FY 1980 until the passage of H.R. 729, the Panama Canal Commission's portion of the President's Budget reflected the fact that the Commission was precluded by P.L. 96-70 from settling vessel accident claims for accidents exceeding $120,000 and occurring outside the locks. That law required the Commission to submit claims for such accidents to the Congress for disposition. Throughout this six-year period, it has been the Commission's position that it would not be absolved of the liability for payment of these claims (i.e. the U.S. taxpayer would not pay for these) and that the settlement of the damage claims would be ultimately paid from Canal revenues. In recognition of this eventuality, the Commission has collected revenues to cover the estimated liability of those accidents by means of an annual provision to a reserve account. The receipts earmarked for this purpose have been deposited in the Panama Canal Commission Fund. Thus, this additional supplemental request in the amount of $24.5 million required by the Commission to cover the costs of this legislative change, will not be borne by the U.S. taxpayer but will come from receipts already deposited in the Panama Canal Commission Fund.

Item 2. Contingency Payment to Panama - $1,119 thousand

The Panama Canal Treaty of 1977 and its implementing legislation, the Panama Canal Act of 1979, provide the basis for the operation and maintenance of the Panama Canal through an instrumentality to be called the Panama Canal Commission, an appropriated fund agency of the United States Government. In setting rates for tolls on vessels using the Canal, the act prescribes all costs of operating and maintaining the Canal including unrecovered costs incurred on or after October 1, 1979, interest, depreciation, payments to Panama pursuant to paragraph 4(a) and (b) of Article XIII of the Treaty, and for capital requirements. The legislation is specific in that tolls shall not be prescribed at rates calculated to cover payments to Panama under paragraph 4(c) of Article XIII of the Treaty. Paragraph 4(c) of Article XIII provides for payment of an annual amount of up to ten million dollars, to be paid from Canal operating revenues to the extent that such revenues exceed expenditures, and, should revenues in any one year not produce a surplus sufficient to cover this payment, the unpaid balance shall be paid from operating surpluses in future years in a manner to be mutually agreed upon. It has been determined that the operating surplus in 1985 is $1,118,754.72.

In accord with an exchange of diplomatic notes between the U.S. Embassy in Panama and the Ministry of Foreign Relations of the Republic of Panama, it has been agreed that any sum owing to Panama under paragraph 4(c), Article XIII of the Panama Canal Treaty of 1977 would be made no later than April 30 of each year subsequent to the delivery by the United States General Accounting Office of the Certified Annual Financial Audit Reports of the Panama Canal Commission, such reports to be completed by March 31 of each year.

No monies have been authorised or appropriated in 1985 to the Panama Canal Commission for this operating surplus payment to Panama, nor has any amount for such payment been included in Commission appropriations for 1986. Accordingly, a supplemental amount of $1,118,754.72 is requested at this time, such payment to be consummated no later than April 30, 1986, in accord with the agreed upon method for payment. All appropriations to the Commission for 1986, including this $1,118,754.72 contingency payment, are covered by resources in the Panama Canal Commission Fund.

VESSEL ACCIDENT CLAIMS

Mr. LEHMAN. You are requesting a supplemental of $24.5 million for vessel accident claims as authorized by Public Law 99-209.

You indicate that you have collected revenues to cover the estimated liability of these accidents by means of an annual provision to a reserve account.

How much have you collected to cover the estimated liability of these accidents?

Mr. GIANELLI. We have collected the entire amount, Mr. Chairman, of the $24.5 million we are requesting in the supplemental.

Mr. COUGHLIN. Mr. Chairman, does that mean then that money would be available for——

Mr. GIANELLI. Paying the claims that have been made, that have been accruing, Mr. Coughlin.

Mr. COUGHLIN. But the supplemental then would be available for other purposes?

Mr. GIANELLI. No, no. We need the supplemental in order to implement the legislation that the Congress passed last year, which gives the authority to the Commission to settle claims over $120,000 occurring outside the locks.

So we actually need it as a supplemental appropriation.

Mr. MCAULIFFE. We have the money in the Panama Canal Commission Fund but we need the authority to move that money out of the fund in order to pay these claims.

Mr. COUGHLIN. Will that then result in an increase in operating expenses and a decrease in the cash payment to Panama?

Mr. GIANELLI. No. It should have no effect because these claims have been made and the amount would be sufficient for the settlement of those claims.

Mr. BURGOON. Amounts have been charged already to the operating accounts and this is just the monies we have on deposit that we are recalling.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. LEHMAN. How many claims for accidents exceeding $120,000 and occurring outside the locks have actually been settled, and what is your liability as a result of these settlements?

Mr. GIANELLI. There are eighteen which have been submitted for congressional consideration, as I recall, Mr. Chairman; only one of them has actually been settled. We will, of course, as soon as the supplemental is approved, move toward settlement of the others.

CLAIMS RECEIVED AND CLAIMS SETTLED

Mr. LEHMAN. Would you provide for the record a listing of all shippers' claims for accidents exceeding $120,000 and occurring outside of the locks, indicating the amount of the settlement for those that have been settled?

[The information follows:]

CLAIMS RECEIVED FROM SHIPPERS EXCEEDING $120,000 AND OCCURRING OUTSIDE OF THE LOCKS

Vessels	Date of accident	Amount claimed	Amount paid
1. Texaco Connecticut	June 7, 1980	$2,488,433.14	
2. Swan Arrow	Nov. 8, 1979	367,077.12	
3. Ocean Ever	May 25, 1981	685,104.10	
4. Hellespont Courage	Oct. 27, 1980	148,139.30	
5. Exxon Washington	Sept. 8, 1980	581,592.23	$581,592.23
6. Korean Leader	July 6, 1980	1,329,978.76	
7. Yacht Matang	July 26, 1982	144,869.00	
8. American Apollo	Oct. 1, 1980	5,578,191.06	
9. Korean Wonis Sun	Dec. 1, 1980	3,041,415.00	
10. Aulica	Aug. 1, 1980	290,956.45	
11. Daphen	Mar. 13, 1982	696,798.22	
12. Agios Nikolas	May 24, 1980	383,832.00	
13. Washington Trader	June 13, 1981	242,586.00	[1] 227,968.00
14. Fuhwo Venture	Nov. 20, 1979	282,709.00	
15. Luigi Casale	Apr. 27, 1982	252,284.00	
16. Chimborazo	Apr. 27, 1982	153,352.00	
17. Zamora	Oct. 19, 1981	967,005.00	[1] 249,116.00
18. George S. Embiricos	July 1, 1982	485,990.82	
19. Sagafjord	Jan. 11, 1983	404,366.82	
20. Andros City	July 12, 1982	602,783.00	
21. Asian Forest	Aug. 3, 1983	467,637.03	
22. Esso Guam	Apr. 10, 1980	889,369.38	
23. Esso Nassau	Apr. 10, 1980	391,855.77	
24. Fujihoshi Maru	Nov. 11, 1982	141,031.17	
25. Arion	Feb. 16, 1984	350,460.68	
26. American Aquarius	Jan. 12, 1981	745,144.83	
27. Chikumagawa Maru	Mar. 5, 1983	575,114.36	

[1] Payment pending approval of supplemental and availability of funds.

CONTINGENT LIABILITY

Mr. LEHMAN. Your fiscal year 1984 annual report states: "In addition to recorded liabilities, the estimated maximum contingent liability which could result from pending claims and lawsuits was $3.4 million at September 30, 1984."

Would you explain your need for $24.5 million in view of this statement?

Mr. MCAULIFFE. The $3.4 million of contingent liabilities take into account events to be resolved in the future which have possible cost consequences to the Commission.

The amount includes contingencies for certain vessel accident claims, personal injury, wrongful death accident claims, and other claims covering contracts and pay matters.

These are memorandum type of records and do not affect the actual operating expenses recorded in the accounts.

Mr. LEHMAN. Would you explain your need for the $24.5 million in view of this statement?

Mr. MCAULIFFE. The $24.5 million supplemental request is aimed directly at the marine accidents that have occurred outside the locks and that are in excess of $120,000. Those funds were set aside, as Mr. Burgoon pointed out. We have kept those funds on deposit. We cannot handle them by memorandum or any other method other than to get a supplemental appropriation so that we can make use of those funds for the settlement of the claims.

CATASTROPHIC INSURANCE

Mr. LEHMAN. Public Law 99-209 authorizes you to purchase insurance to protect the Commission against "major and unpredictable revenue losses or expenses arising from catastrophic marine accidents".

Have you purchased such insurance?

Mr. GIANELLI. We hope to be able to do that soon. We are investigating that right now, Mr. Chairman.

Mr. LEHMAN. Once you get out from under the federal government which is really your insurance now, then you have to be on your own, don't you?

Mr. GIANELLI. Yes, and we are concerned about being protected from the very large accidents that might occur.

CONTINGENCY PAYMENT TO PANAMA

Mr. LEHMAN. You are also requesting a $1.119 million contingency payment to Panama pursuant to paragraph 4(c) of Article XIII of the Panama Canal Treaty.

Is the amount you are requesting within the certification levels of estimated receipts and carryover balances as required by section 1302(c)(2) of the Panama Canal Act of 1979?

Mr. GIANELLI. Yes, that is the excess revenues over expenditures and under the treaty, the Government of Panama is allowed to have those funds provided to them up to the amount of $10 million per year, which is cumulative. So this is the amount of revenues, over and above our expenses, that would be payable to Panama.

Mr. LEHMAN. What is the status of the GAO audit of this $1.119 million payment to Panama?

Mr. BURGOON. The GAO has completed their work on the audit but they have not, of course, issued their statement yet, and that is for 1985, which is the year that this profit occurred, the $1.1 million.

BALANCE LAPSING

Mr. LEHMAN. According to your fiscal year 1987 justifications, you lapsed $22,373,000 of your fiscal year 1985 appropriation.

Why was this, and if you had spent another $1.2 million of this amount, would this payment still be required?

Mr. BURGOON. This is a lapse of money that we did not require, and this is because of savings accruing in the power generation activity because we enjoyed a more favorable rain situation in 1985 and used more hydroelectric power; also reductions associated with a downturn of traffic that past year. That is to say, with the lesser amount of traffic, we have a lesser payment to go to Panama, proportionate share of each toll, and then to other miscellaneous savings resulting from changes in the assumed level of inflation, and other program factors.

Mr. LEHMAN. Mr. Coughlin?

Mr. COUGHLIN. No further questions, Mr. Chairman.

Mr. LEHMAN. Mr. Wolf?

Mr. WOLF. No questions.

Mr. LEHMAN. I want to thank Mr. Gianelli, Mr. McAuliffe, and your staff for being with us. I keep promising to come down to Panama, and one of these days I will be there. I was there once, as you remember.

Mr. GIANELLI. I hope you will be able to make it, Mr. Chairman.

Mr. MCAULIFFE. We would be very pleased if you could.

Mr. LEHMAN. The subcommittee is adjourned.

WEDNESDAY, FEBRUARY 26, 1986.

UNITED STATES COAST GUARD

WITNESSES

ADMIRAL JAMES S. GRACEY, COMMANDANT OF THE COAST GUARD
VICE ADMIRAL BENEDICT STABILE, VICE COMMANDANT
REAR ADMIRAL DONALD THOMPSON, CHIEF OF STAFF
CAPTAIN JOHN TRAINOR, CHIEF OF THE PROGRAMS DIVISION
CAPTAIN KENT WILLIAMS, CHIEF OF THE BUDGET DIVISION

Mr. LEHMAN. The Subcommittee will come to order. In accordance with the rules of the House of Representatives and the Committee on Appropriations, without objection, we will permit television and broadcasting coverage of today's hearing.

This morning, we will receive testimony on the fiscal year 1987 budget request for the Coast Guard. Our principal witness today is Admiral James S. Gracey, the Commandant.

Admiral Gracey, we would be pleased to hear your statement at this time. You may read it, or if you would prefer to summarize it, we shall insert your entire statement in the record.

OPENING STATEMENT

Admiral GRACEY. Thank you, Mr. Chairman. I would like to summarize my prepared statement. As always, I am happy to be back here before you, sir. We have an interesting puzzle to solve this year. First, let me tell you who I have with me.

On my far right is my Vice Commandant, Vice Admiral Ben Stabile. And on my far left, my Chief of Staff, Rear Admiral Donald Thompson. On my immediate right, Captain Trainor who is the Chief of the Programs Division. On my immediate left, Captain Kent Williams who is the Chief of the Budget Division.

Our overall request this year totals about $2.4 billion in budget authority. It allows a continuation of plans to modernize and improve the effectiveness of the Coast Guard's capital plant; to increase the capability of existing resources; and to achieve savings through improved efficiency of operations and, where feasible, to continue contracting out support activities.

Because of some unique funding transfers in fiscal year 1986 and Gramm-Rudman-Hollings reductions potential, this year's request shows an apparent overall increase of $162 million in budget authority.

However, it is really a no-growth budget, and it will fund essentially the same program levels as the President's original fiscal year 1986 budget request. I say "original" because there have been so many things that have happened since that all started, and I

want to make the point that I am going back to what was originally sent up.

Part of the increase in the fiscal year 1987 budget authority reflects a return to the Coast Guard's budget base of $25.5 million of the fixed costs associated with polar icebreaking operations.

They were previously funded through reimbursements. The increase also reflects a restoration to the Coast Guard's budget base of $100 million for defense readiness which was funded through the Navy in 1986.

The increase also includes funding for the fiscal year 1987 impact of the fiscal year 1986 military pay and entitlements increases. The total amount for operating expenses would be augmented by $30 million to be derived from the Boat Safety account. Under existing law, $15 million is the maximum amount that can be transferred between these two appropriations. We are proposing legislation to increase that authority to $30 million.

SUMMARY OF BUDGET REQUESTS

Our Operating Expenses Appropriation is the most important appropriation. You have heard me say that before. I cannot stress that too strongly. It funds the operation and maintenance of all our facilities, pays the salaries and expenses of our personnel. It is the life blood of Coast Guard operations, of our ability to serve.

When you look at our fiscal year 1987 budget request, and while you are in the process of comparing it to fiscal year 1986, please do not be misled by what seems to be a large increase in our budget authority.

The Coast Guard's budget is not growing significantly. Instead, the differences you see result largely from the unique one-time transfers that we used to finance our fiscal year 1986 operations, and that has the effect of understating our budget requirements for that year.

When, as in fiscal year 1987, these activities are returned to our budget base, the result is to introduce large variances that distort year-to-year comparisons of our directly funded budget authority. The point I am trying to make is this: After allowing for all the necessary, but sometimes confusing accounting adjustments, fiscal year 1987 is a no-growth budget.

It will permit us to continue to perform at essentially the same levels of operations as in past years. Please see these numbers for what they really are, a return of funding to our base, not an increase.

The AC&I appropriation request for $77.1 million in budget authority is $130 million below the fiscal year 1986 level.

However, together with $190.2 million proposed for reprogramming from the Coastal Defense Augmentation account that was created in DOD in 1986, it will fund capital improvements, including aircraft procurements; cutter acquisitions; rehabilitations, and modernization, and replacement and renovation programs at selected shore facilities.

The Reserve Training Appropriation proposed at $65.2 million will support the Selected Reserve at a new level of 13,000 people. This five hundred person increase is well justified, considering our

growing Maritime Defense Zone responsibilities. The Coast Guard Reserve is a valuable contributor to our national security, especially in the areas of strategic mobility, port security, and other Maritime Defense Zone activities. It is also a cost-effective asset in support of peacetime Coast Guard missions, and its personnel are available for national emergency or domestic disaster.

The RDT&E request for $20.5 million is consistent with the level appropriated in fiscal year 1986. This appropriation is directed toward improving the execution of existing missions and programs along with developing the capabilities anticipated for future mission requirements. It offers the opportunity for increased returns in future years through enhanced productivity or cost avoidances.

I always think we do not give our RDT&E the proper attention it deserves. By we, I mean collegially, within the government. It is a way to do our job better and find better ways, and the contributions made by our R&D program over the years are substantial.

The Boating Safety request is for $45 million. I mentioned earlier about the transfer involved in that. This year's request again proposes a system of user fees, but we will not be sending up any new user fee legislation. H.R. 1936, introduced by Mr. Conte last year, effectively covers the Administration's proposal for those fees.

In conclusion, our fiscal year 1987 budget request represents another hold-the-line type of budget. We will continue to seek productivity improvements, increased efficiencies, and more effective use of our resources, including those new and improved resources acquired as a result of recent major capital investments—the new 110 and 270-foot cutters, the 210-foot and 378-foot cutter rehabilitation and modernization programs, our new short-range recovery helicopters, and sensors like Forward Looking Airborne Radar, and AIREYE. These investments will make the Coast Guard even more productive in the years to come and able to serve the American people better.

As the budget shows, the President strongly supports the Coast Guard and the benefits and services it provides to the public.

Even in these difficult times, the Coast Guard will continue to serve this nation proudly and well. It may be in fewer locations, it may be with fewer people and resources, but be there it will, and with its essential character unchanged, still doing its primary missions of maritime safety, defense readiness, and maritime law enforcement the best it can. When I say "it"; I should say "we". It is the people in the Coast Guard that make that happen, and their best, Mr. Chairman, is without equal anywhere. That concludes my statement, Mr. Chairman. I will be happy to answer your questions.

[The statement follows:]

DEPARTMENT OF TRANSPORTATION
U.S. COAST GUARD
STATEMENT OF ADMIRAL JAMES S. GRACEY
ON THE FY 1987 BUDGET REQUEST
SUBCOMMITTEE ON TRANSPORTATION
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
26-27 FEBRUARY 1986

MR. CHAIRMAN, I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH YOU AND OTHER MEMBERS OF THIS SUBCOMMITTEE TO REVIEW AND DISCUSS THE COAST GUARD FISCAL YEAR 1987 BUDGET REQUEST. ACCOMPANYING ME ARE THE VICE COMMANDANT, VICE ADMIRAL BENEDICT STABILE; MY CHIEF OF STAFF, REAR ADMIRAL DONALD THOMPSON; THE CHIEF OF THE PROGRAMS DIVISION, CAPTAIN JOHN TRAINOR; AND THE CHIEF OF THE BUDGET DIVISION, CAPTAIN KENT WILLIAMS.

FY 1987 TOTAL BUDGET REQUEST

OUR OVERALL REQUEST, TOTALING ABOUT $2.4 BILLION IN BUDGET AUTHORITY, ALLOWS A CONTINUATION OF PLANS TO MODERNIZE AND IMPROVE THE EFFECTIVENESS OF THE COAST GUARD'S CAPITAL PLANT; TO INCREASE THE CAPABILITY OF EXISTING RESOURCES; AND TO ACHIEVE SAVINGS THROUGH IMPROVED EFFICIENCY OF OPERATIONS AND, WHERE FEASIBLE, CONTINUED CONTRACTING OUT OF SUPPORT ACTIVITIES.

THIS REQUEST...LIKE OUR REQUESTS IN RECENT YEARS...CONTINUES TO EMPHASIZE MISSIONS SUPPORTING SAFETY, DEFENSE READINESS, AND MARITIME LAW ENFORCEMENT.

FUNDING REQUESTED FOR FY 1987 WILL PROVIDE FOR FULL-TIME EQUIVALENT (FTE) POSITIONS FOR 38,541 MILITARY PERSONNEL AND

5,527 CIVILIAN PERSONNEL COMPARED TO FY1986 FTE's OF 39,189 AND 5,571, RESPECTIVELY.

BECAUSE OF SOME UNIQUE FUNDING TRANSFERS IN FY 1986, AND GRAMM-RUDMAN-HOLLINGS REDUCTIONS, THIS YEAR'S REQUEST SHOWS AN APPARENT OVERALL INCREASE OF $162 MILLION IN BUDGET AUTHORITY. NEVERTHELESS, IT IS A NO-GROWTH BUDGET AND WILL FUND ESSENTIALLY THE SAME PROGRAM LEVELS AS THE PRESIDENT'S FY 1986 BUDGET REQUEST. PART OF THE INCREASE IN FY 1987 BUDGET AUTHORITY REFLECTS A RETURN TO THE COAST GUARD'S BUDGET BASE OF $25.5 MILLION OF THE FIXED COSTS ASSOCIATED WITH POLAR ICEBREAKING OPERATIONS. THESE COSTS WERE FUNDED PREVIOUSLY THROUGH REIMBURSEMENTS. THE INCREASE ALSO REFLECTS RESTORATION TO THE COAST GUARD'S BUDGET BASE OF $100 MILLION FOR DEFENSE READINESS FUNDED BY THE DEPARTMENT OF DEFENSE, NAVY, OPERATIONS AND MAINTENANCE IN 1986. THE INCREASE ALSO INCLUDES FUNDING FOR THE FY 1987 IMPACT OF THE FY 1986 MILITARY PAY AND ENTITLEMENTS INCREASES.

OPERATING EXPENSES

THE OPERATING EXPENSES APPROPRIATION REQUEST FOR $1.833 BILLION IS TO FUND THE OPERATION AND MAINTENANCE OF COAST GUARD SHIPS, AIRCRAFT, AND SHORE UNITS, INCLUDING FACILITIES ACQUIRED THROUGH CAPITAL INVESTMENTS IN RECENT YEARS. OF THESE NEW ACQUISITIONS, FUNDING WILL PROVIDE FOR OPERATION OF THE FIRST OF THE COAST GUARD OWNED AEROSTATS...MOBILE, TETHERED-BALLOON, RADAR SURVEILLANCE SYSTEMS...FOR USE IN OUR DRUG INTERDICTION EFFORT. ALSO, IN FY 1987 WE WILL PUT INTO SERVICE 2 MORE OF OUR NEW 270 FOOT MEDIUM ENDURANCE CUTTERS AND 5 MORE OF OUR NEW 110-FOOT PATROL BOATS, AS WELL AS 26 REPLACEMENT SHORT-RANGE RECOVERY (SRR) HELICOPTERS.

IN ADDITION, THE TOTAL AMOUNT FOR OPERATING EXPENSES WILL BE AUGMENTED BY $30 MILLION TO BE DERIVED FROM THE BOAT SAFETY ACCOUNT. UNDER EXISTING LAW, $15 MILLION IS THE MAXIMUM AMOUNT THAT CAN BE TRANSFERRED BETWEEN THESE TWO APPROPRIATIONS. HOWEVER, WE ARE PROPOSING LEGISLATION TO INCREASE THAT AUTHORITY TO $30 MILLION.

OUR OPERATING EXPENSES APPROPRIATION IS OUR MOST IMPORTANT APPROPRIATION. IT FUNDS THE OPERATION AND MAINTENANCE OF ALL OUR FACILITIES. IT PAYS THE SALARIES AND EXPENSES OF OUR PERSONNEL. IT IS THE LIFEBLOOD OF COAST GUARD OPERATIONS...OF OUR ABILITY TO SERVE. THAT IS WHY, WHEN YOU LOOK AT OUR FY 1987 BUDGET REQUEST...AND COMPARE IT TO FY 1986...PLEASE DON'T BE MISLED BY THE APPARENTLY LARGE INCREASE IN OUR BUDGET AUTHORITY. THE COAST GUARD'S BUDGET IS NOT GROWING SIGNIFICANTLY. INSTEAD, THE DIFFERENCES YOU SEE RESULT LARGELY FROM THE UNIQUE, ONE-TIME TRANSFERS USED TO FINANCE OUR FY 1986 OPERATIONS, WHICH HAVE THE EFFECT OF UNDERSTATING OUR BUDGET REQUIREMENTS FOR THAT YEAR. WHEN, AS IN FY 1987, THESE ACTIVITIES ARE RETURNED TO OUR BUDGET BASE, THE RESULT IS TO INTRODUCE LARGE VARIANCES THAT DISTORT YEAR-TO-YEAR COMPARISONS OF OUR BUDGET AUTHORITY.

THE POINT I'M TRYING TO MAKE IS...THAT AFTER ALLOWING FOR ALL THE NECESSARY BUT SOMETIMES CONFUSING ACCOUNTING ADJUSTMENTS... FY 1987 IS A NO-GROWTH BUDGET...ONE THAT WILL PERMIT US TO CONTINUE TO PERFORM THE SAME LEVELS OF OPERATIONS AS IN PAST YEARS. PLEASE SEE THESE NUMBERS FOR WHAT THEY REALLY ARE...A RETURN OF FUNDING TO OUR BASE...NOT AN INCREASE.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS

THE ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION REQUEST FOR $77.1 MILLION IN BUDGET AUTHORITY IS $130 MILLION BELOW THE FY 1986 LEVEL. HOWEVER, TOGETHER WITH $190.2 MILLION PROPOSED FOR REPROGRAMMING FROM THE COASTAL DEFENSE AUGMENTATION ACCOUNT CREATED IN DOD IN 1986, IT WILL FUND CAPITAL IMPROVEMENTS, INCLUDING AIRCRAFT PROCUREMENTS; CUTTER ACQUISITIONS, REHABILITATIONS, AND MODERNIZATION; AND REPLACEMENT AND RENOVATION PROGRAMS AT SELECTED SHORE FACILITIES.

THIS COMBINED FUNDING PROVIDES FOR THE CONSTRUCTION OF A NEW RIVER TENDER AS WELL AS THE CONTINUED RENOVATION OF BOTH THE 210-FOOT MEDIUM ENDURANCE AND THE 378 FOOT HIGH ENDURANCE CLASSES OF CUTTERS. 10 OF 13 OF THE NEW 270 FOOT CLASS OF CUTTERS AND 78 OF THE 96 NEW, REPLACEMENT, SHORT-RANGE RECOVERY (SRR) HELICOPTERS WILL HAVE BEEN DELIVERED BY THE END OF FY 1987. MODERNIZATION OR REPLACEMENT OF OBSOLETE SHORE FACILITIES WILL ALSO CONTINUE. IN LOOKING TO THE FUTURE, FY 1987 FUNDS WILL BE USED TO BUY A PROTOTYPE OF A PATROL BOAT REPLACEMENT AND TO BEGIN A MAJOR LIFEBOAT REPLACEMENT PROGRAM.

ALTERATION OF BRIDGES

NO FUNDS ARE BEING REQUESTED FOR ALTERATION OF BRIDGES FOR FY 1987.

RETIRED PAY

THE RETIRED PAY APPROPRIATION REQUEST OF $354 MILLION IS BASED UPON AN AVERAGE OF 24,673 ANNUITANTS ON THE ROLLS. THE REQUEST REFLECTS THE PRESIDENT'S LEGISLATIVE PROPOSAL TO FOREGO COST-OF-LIVING ADJUSTMENTS IN 1987 FOR ALL SUCH RETIREMENT PROGRAMS.

RESERVE TRAINING

THE RESERVE TRAINING PROGRAM, PROPOSED AT $65.2 MILLION, WILL SUPPORT THE SELECTED RESERVE AT A NEW LEVEL OF 13,000 PEOPLE. THIS 500 INCREASE IS WELL JUSTIFIED, CONSIDERING OUR GROWING MARITIME DEFENSE ZONE RESPONSIBILITIES. THE COAST GUARD RESERVE IS A VALUABLE CONTRIBUTOR TO OUR NATIONAL SECURITY, ESPECIALLY IN THE AREAS OF STRATEGIC MOBILITY, PORT SECURITY AND OTHER MARITIME DEFENSE ZONE ACTIVITIES. IT IS ALSO A COST-EFFECTIVE ASSET IN SUPPORT OF PEACETIME COAST GUARD MISSIONS AND ITS PERSONNEL ARE AVAILABLE FOR NATIONAL EMERGENCY OR DOMESTIC DISASTER.

RESEARCH, DEVELOPMENT, TEST & EVALUATION

THE RESEARCH, DEVELOPMENT, TEST AND EVALUATION REQUEST TOTALING $20.5 MILLION IS CONSISTENT WITH THE LEVEL APPROPRIATED IN FISCAL YEAR 1986. THIS APPROPRIATION IS DIRECTED TOWARDS IMPROVING THE EXECUTION OF EXISTING MISSIONS AND PROGRAMS ALONG WITH DEVELOPING THE CAPABILITIES ANTICIPATED FOR FUTURE MISSION REQUIREMENTS. RESEARCH AND DEVELOPMENT OFFERS THE OPPORTUNITY FOR INCREASED RETURNS IN FUTURE YEARS THROUGH ENHANCED PRODUCTIVITY OR COST AVOIDANCES.

BOAT SAFETY ACCOUNT

THE BOATING SAFETY REQUEST IS FOR $45 MILLION. THIS CONTINUES THE FUNDING LEVEL AT THE AMOUNT APPROPRIATED FOR FISCAL YEAR 1986. HOWEVER, AS NOTED EARLIER, PROPOSED LEGISLATION WOULD MAKE $30 MILLION AVAILABLE FOR USE IN THE OPERATING EXPENSES APPROPRIATION AND THE OTHER $15 MILLION AVAILABLE FOR FINANCIAL ASSISTANCE TO STATES.

OTHER FUNDS

FOR THE POLLUTION FUND $7 MILLION IN PERMANENT AUTHORITY IS REQUESTED, AS IT HAS BEEN IN PREVIOUS YEARS. FOR THE OFFSHORE OIL POLLUTION COMPENSATION FUND AND THE DEEPWATER PORT LIABILITY FUND, $1 MILLION IS REQUESTED FOR EACH APPROPRIATION ALONG WITH A MAXIMUM OBLIGATION LIMIT IN THESE TWO FUNDS OF $60 MILLION AND $50 MILLION, RESPECTIVELY.

USER FEES

OUR REQUEST THIS YEAR AGAIN PROPOSES A SYSTEM OF USER FEES. HOWEVER, NO NEW USER FEE LEGISLATION WILL BE SUBMITTED. H.R. 1936 EFFECTIVELY COVERS THE ADMINISTRATION'S PROPOSAL FOR SUCH FEES. ENACTMENT OF THAT LEGISLATION IN 1986 AND ITS IMPLEMENTATION IN 1987 WOULD PROVIDE REVENUES OF $238 MILLION IN 1987 AND $476 MILLION ANNUALLY THEREAFTER.

CONCLUSION

I HAVE BRIEFLY HIGHLIGHTED MAJOR PARTS OF OUR FY 1987 BUDGET REQUEST WHICH REPRESENTS ANOTHER "HOLD-THE-LINE" TYPE OF BUDGET. HOWEVER, WE WILL CONTINUE TO STRIVE FOR PRODUCTIVITY IMPROVEMENTS, INCREASED EFFICIENCIES, AND MORE EFFECTIVE USE OF OUR RESOURCES, INCLUDING THOSE NEW AND IMPROVED RESOURCES ACQUIRED AS A RESULT OF RECENT MAJOR CAPITAL INVESTMENTS...THE NEW 110 AND 270 FOOT CUTTERS, THE 210 FOOT AND 378 FOOT CUTTERS REHABILITATION AND MODERNIZATION PROGRAMS, OUR NEW SHORT-RANGE RECOVERY HELICOPTERS AND SENSORS LIKE FLAR AND AIREYE. THESE INVESTMENTS WILL MAKE THE COAST GUARD EVEN MORE PRODUCTIVE IN THE YEARS TO COME...AND ABLE TO SERVE THE AMERICAN PEOPLE BETTER.

AS THIS BUDGET SHOWS, THE PRESIDENT STRONGLY SUPPORTS THE COAST GUARD AND THE BENEFITS AND SERVICES IT PROVIDES TO THE PUBLIC. EVEN IN THESE DIFFICULT FISCAL TIMES, THE COAST GUARD WILL CONTINUE TO SERVE THIS NATION PROUDLY AND WELL. IT MAY BE IN FEWER LOCATIONS...IT MAY BE WITH FEWER PEOPLE AND RESOURCES...BUT BE THERE IT WILL...AND WITH ITS ESSENTIAL CHARACTER UNCHANGED, STILL DOING ITS PRIMARY MISSIONS OF MARINE SAFETY, DEFENSE READINESS, AND MARITIME LAW ENFORCEMENT THE BEST IT CAN. AND THAT BEST IS WITHOUT EQUAL - ANYWHERE.

THIS CONCLUDES MY STATEMENT. I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS THE COMMITTEE MIGHT HAVE.

IMPACT OF GRAMM-RUDMAN ON FY 1986 BUDGET

Mr. LEHMAN. Thank you, Admiral. As you implied, we have a problem, and before we get into the 1987 requests, I would like to revisit, once more, your 1986 appropriation.

You implied that last year was like a roller coaster, and we still have one more dip to make before we level out, apparently.

Last fall, we were told that with a 12 or 13 percent reduction contained in the Senate bill you would have to cut three of your five icebreakers; decommission all of your older cutters; not operate the 270-foot cutters that are being delivered; lay up over 40 aircraft, 50 ships and 8 buoy tenders; have 35 ports with no port security; shut down two of your three anti-pollution teams; and release 8,500 military and civilian employees.

That did not happen. But now we are faced with Gramm-Rudman and the year will soon be about half over. We are already more than one-third over. With the enactment of Gramm-Rudman, you will have to implement reductions of between 4 and 5 percent of your 1986 budget, and if you apply that over the balance of this fiscal year, it really amounts to somewhere around an 8 to 9 percent cut in operations for the remainder of the year.

You survived the 12 or 13 percent cut—you have had a chance to operate without that reduction—but now, for the remainder of 1986, you are actually faced with an 8 to 9 percent cut.

This has been apparent for several months. What do you intend to do—what is going to happen to the Coast Guard in relation to those ominous types of circumstances that you predicted last year, when this 8 or 9 percent cut goes into effect?

Admiral GRACEY. Well, the problem for 1986, Mr. Chairman, actually goes beyond Gramm-Rudman-Hollings. The Continuing Resolution left us $66 million in the hole. It was really more than that, because we had personnel costs that were higher than were included in the budget.

We absorbed the $36 million military pay raise and, if you remember, the Senate proposed to cut $230 million. The Congress restored $200 million, so that left us $30 million short. Between just those two things, we were $66 million in the hole, and then there were some hidden costs of as much as $22 million that we were absorbing.

The Gramm-Rudman cut for our funds was 4.3 percent. That which you funded through DOD for us got cut at 4.9 percent. So our total shortfall was about $142 million plus the hidden costs.

But the situation is different than it was last fall. Because of the proposed Senate cut last fall, we went into what we call a slow down/squeezedown.

I do not know whether you had a chance to read my message to the Coast Guard people, but I made the point that we should not spend one single penny that was not absolutely essential to spend to keep up our service to the public—the non-deferrable, top priority work. We cut fisheries patrols in half. We slowed and squeezed in a number of areas.

We are mortgaging the future, in effect; we are eating up our spare parts inventories. We have not transferred anybody. People due for rotations have not been rotated. The changes we made are

short-term kinds of things, but they did give us a running start on where we are now. After the Continuing Resolution we did not reinstate because we saw Gramm-Rudman-Hollings coming, and we knew we were already $66 million in the hole. We have never gone back up to our normal tempo of operations.

We are still in a slowdown, squeezedown. I was at a unit on the West Coast a couple of weeks ago. I visited a patrol boat, and there it was nip and tuck, day to day, whether they would be able to sail or not, because they had to wait to find out if the part they needed came in the morning mail.

I heard of a unit in one district where the Coast Guard personnel were actually buying parts out of their own money because they did not want to use Coast Guard money. They wanted to save it for something that they could not afford to buy. That breaks my heart.

Now we have a situation where we have this dip situation, but we also have, on your table, the President's 1987 budget request, in which he recognizes the value of the Coast Guard and supports keeping us at least at a reasonable level of funding. In that budget he is saying to you, as I think many of you are saying to yourselves, and people are generally saying, the across-the-board cuts are a disaster. Under them everybody gets wounded but there are some programs which should be wounded severely and there are others that should only be wounded in a minor way. Our problem, then, in effect is, how do we survive the dip? If the President's 1987 budget is not passed, leading to some Gramm-Rudman cuts next year of the magnitude I have heard discussed, it will be an absolute disaster for us. Forgive me for focusing on us, but it is my job to focus on us. I think it will be a disaster in general.

There will be some proposals coming to you from the Administration regarding us in particular, including I hope, a no-growth supplemental.

There will be a request for reprogramming the FY 1986 AC&I, to let us continue essential projects but we are talking OE at the moment. Those things, depending on how the Congress responds, will have a great effect on how we are able to survive this dip.

We are into a real brinksmanship situation, and we are just going to have to keep our finger on the pulse and see what happens.

If it looks like these proposals are not going to go, we are going to have to start going into some of the kinds of reductions we talked about last fall.

They will not be of the same magnitude because the situation is different. I would like to illustrate the kind of problem we have, Mr. Chairman, because when I talk about a slowdown/squeezedown, there are people who often feel that, since we have been deferring we do not have a problem.

Essentially what we are dealing with—can you all see that diagram? I will provide this for the record. I will draw one, and it is simpler and it will be easier for you to see.

Essentially we started the year here. Let's say this is the beginning of the fiscal year and this is the end, and essentially, we started out on a spending program that would have had a slope like this, see. Okay.

Now about a quarter into the year we got to a Continuing Resolution, and the Continuing Resolution, as I said, took off $66 million. So now we had a new program with a lower slope like this.

We continued the slowdown/squeezedown, to try to live within he lower target.

Along about now we are at a point where Gramm-Rudman takes ffect and now the slope goes even lower, like this.

We have got to try to survive this and keep operations going, the nost essential ones.

But as I said, we have got to start spending. We have gone six nonths now without doing a lot of maintenance, training, etc. A lot f our parts inventories are right down to day-to-day buying. Both ur area commanders have met with their district commanders vithin the last week, last two days as a matter of fact, to see how ong we can do this.

We are going to try to keep it going but we have got to spend ome money. We must rotate people that are due to be rotated.

We cannot continue to slow down recruiting because that get ehind in the market and then you are trying to catch up.

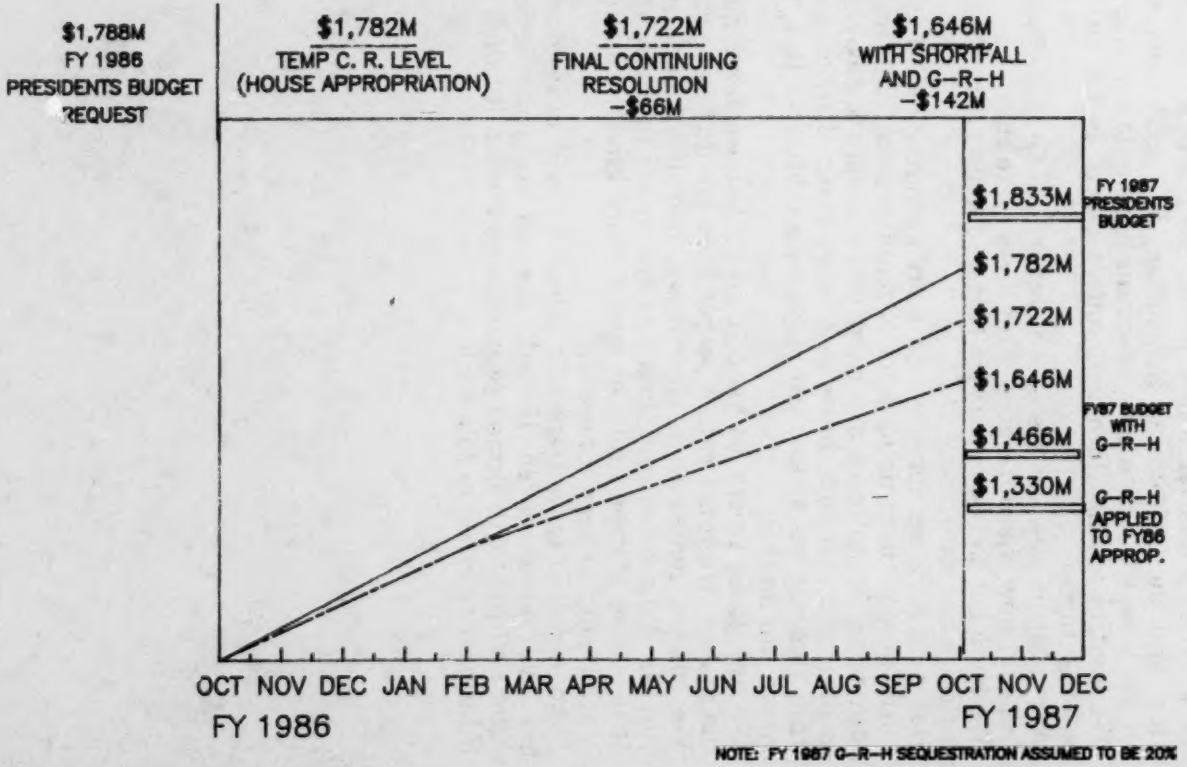
It is a case of spend now or spend more later to make up for it. Ve are trying to keep a balance.

I am not telling you specific items we will close down because 'hat and where—even if—will depend on your action on the udget and the forthcoming proposals and when it takes place.

[Material referred to follows:]

BudTarget

U. S. COAST GUARD
OPERATING EXPENSES
EFFECTIVE SPENDING LEVELS



NOTE: FY 1987 G–R–H SEQUESTRATION ASSUMED TO BE 20%

COAST GUARD PLANS UNDER GRAMM-RUDMAN

Mr. LEHMAN. The 1986 appropriation was not, as you say, the "best of all possible worlds," but that is a fact of life as it now exists.

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. And yet you were very explicit, when you were faced with the Senate provision in the appropriations process, regarding exactly how many icebreakers, cutters and other equipment that you would have to eliminate. We know, now and have known for some time, that without a supplemental, it is not going to be 13 percent, but it is going to have to be somewhere between 8 and 9 percent for the rest of this year.

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. You made those hash marks on your diagram. Those hashmarks, to me, translate into specific actions.

However, you imply that you cannot tell how many icebreakers you have to decommission, how many people you have to lay off, or what other actions you have to take.

But it seems to me that you could develop, as other agencies such as HHS have done, a very detailed summary of what would happen should the sequestering take effect. I think we need to know the impact, at this time, if you have any specific ideas in relation to these seven items.

If you cannot do it at this point, I think it is imperative that we at least have some indication, for the record, from you.

Admiral GRACEY. I understand, Mr. Chairman, and we do have a plan. Obviously we have a detailed plan to cope with a crunch. The questions are how big is it, how long is it going to last, and what is going to happen? What I tried to illustrate here, in these hashmarks you talked about, was that we have been trying to live within the lower levels by such measures as cutting fisheries patrols by 50 percent; by buoy tenders not doing routine maintenance of the aids. What they do is this: if there is an outage of a critical buoy that has to be relit, they sail, and while they are out there, they do some routine maintenance. But they are not sailing regularly on routine maintenance. Those kinds of things.

IMPACT OF BUDGET CUTS ON PERSONNEL

Mr. LEHMAN. How do those hashmarks translate into the last item on your list regarding the release of 8,500 military and civilian employees under the 12 percent? How does it translate into an 8 to 9 percent reduction?

Admiral GRACEY. You are asking me if it is a proportional situation. Let me see if I can explain. If you will bear with me with one more diagram, Mr. Chairman. I am trying to explain where we are and it is a difficult——

Mr. LEHMAN. I understand because it is a very short process.

Admiral GRACEY. It sure is. This is 1985 up here. This is 1986, and this is where we will be in 1987, when you pass the President's budget. We are trying to get over this dip between FY 1985 and FY 1987. When we were faced with a Senate cut last fall, we had no indication that we would ever go back.

All we were told was that over a period of less than 12 months, we had to cut spending by $230 million, and when you go from 140, that last $90 million is hard to come by.

The first 140 is hard to come by too, but you can do some things to live with a $60 million dip that you cannot do to live with a $230 million permanent decrease.

Now if somewhere about in July of this fiscal year, we get indicators that the Congress is looking askance at the President's budget, or we get indicators that you are looking askance at our reprogrammings and some of the other things we are going to ask you to let us do, then that is going to be a doom signal. It will tell us we are going to be down much lower next year, and we are going to have to trigger some of these reductions we have tenatively designated.

That is all I am trying to tell you. The approach to developing the plan was similar to that we gave you for the $230 million.

We have no alternative. To make reductions of such magnitude in an organization like the Coast Guard, you have got to reduce people, and the only way you can reduce people is to stop doing things.

Mr. LEHMAN. Well, you are going from peak to peak. You have gone from a peak of 1986, before Gramm-Rudman, to the wishful thinking, or maybe reality—I do not know which right now—peak of 1987, the President's request. But in between that you have to deal with the reality of Gramm-Rudman.

Admiral GRACEY. That is true.

OPERATION ADJUSTMENTS

Mr. LEHMAN. And somewhere you are going to have to make adjustments. What I am trying to determine is, what kind of adjustments you will have to make regarding those items that you were very specific about last fall. We do not have any idea right now what we are going to be able to do between now and the end of the rainbow, 1987 presidential budget, if it comes in at the level that you hope for.

Admiral GRACEY. If you will forgive me, sir, it is an inverse rainbow.

Mr. LEHMAN. I know. It is an upside down rainbow.

Admiral GRACEY. And we hope there is a pot of gold at the end of it anyway. I understand what you are trying to say to me, Mr. Chairman. I am trying to explain to you that the kinds of things we have done so far have been aimed at protecting our ability to continue to serve the American people in the long-run. If you decommission ships and aircraft, close stations, or release people on a six-month basis, you incur additional costs.

And you do great long-term damage. We are trying to avoid that. The plan we have, Mr. Chairman, involves essentially having many of those things in place, so if they are needed, we can get a full year of savings next year and reduce the total number of cuts we will have to take.

You would like me to tell you what kinds of things we would address. The same kinds of things we addressed before, only in small-

er numbers, and in different places. We learned some lessons from the exercise last fall.

We have had more time to think about this. If you remember, last fall we had something on the order of three days to respond.

We already have some regionalization actions starting to move. We will look at more and some consolidations of activities.

We will have to lay up some ships, and we will have to lay up some aircraft. We will have to close some shore units. I just cannot tell you numbers because it depends on when it takes effect and how big it is.

Mr. LEHMAN. I will not belabor this, but in your "squeeze-freeze" operation, you hope to minimize the amount of adverse effects that you predicted under the previous 12 or 13 percent cut, but you are not going to be able to eliminate some of these from going into effect, apparently.

Admiral GRACEY. I do not think we can, Mr. Chairman.

Mr. LEHMAN. Now all I am asking you to do, I think, is to give us the best possible prediction you can. With all of the preparation you have had, with all the "squeeze and freeze" arrangements you have made, what you are going to have to do in order to accommodate the Coast Guard to the 8 and 9 percent cut that will take place for the balance of this year, after the Gramm-Rudman goes into effect?

Admiral GRACEY. And you are asking me that based on certain assumptions—if I may. We need to set the ground rules. What I tell you changes as you change the assumptions, okay?

The assumption is that the President's budget will pass—that a no-growth supplemental that comes to you will be approved—that you will authorize reprogramming AC&I, and so on. We will know these things on the Gramm-Rudman-Hollings legislation schedule. Can I make all those assumptions, Mr. Chairman? I do not believe it.

FY 1986 SUPPLEMENTAL

Mr. LEHMAN. I would like for you to make them, with and without the non-monetary supplemental, because we asked that question before the full committee, to Mr. Miller, and he indicated there would be no supplementals of any kind.

I would certainly appreciate it if you gave us both cases, because it may be that this subcommittee will have to come forward with our own supplemental, to be able to revive the essential services that you need to survive these particular problems, and we want to work with you.

Admiral GRACEY. Mr. Chairman, because there are so many if's, and's, or's, and but's, I think it would be important to tell you what the ground rules are under which we give you the figures.

Mr. LEHMAN. Well, do the best you can.

Admiral GRACEY. You know, we are talking about laying up a certain number of ships. I am talking about laying up instead of decommissioning, because we are in a situation where we are hoping to have these things come back.

Now what do you do with those people from the ships?

Mr. LEHMAN. That is the question I am trying to ask.

Admiral GRACEY. Exactly, and exactly the problem. And the longer this goes, and the longer we have to wait to find out, before there is a decision, then the bigger the cuts—the problem changes.

Mr. LEHMAN. But you have to have some kind of a plan to take care of this on the worse case situation, or the next-to-worse case situation, and I think this committee needs to know, in order to be able to plan how we can best help you.

Admiral GRACEY. Yes, sir. I hear you. If you can tell me how to make a fail-safe plan under the current circumstances, I would welcome it. I understand what you are saying, Mr. Chairman.

Mr. LEHMAN. We have a possibility of a supplemental. It is not unforeseeable.

Admiral GRACEY. I understand what you are saying. Thank you, sir.

FY 1986 WORKLOAD INDICATORS

Mr. LEHMAN. The workload indicators included in your budget justifications do not seem to reflect any adjustments as a result of the Gramm-Rudman reductions.

For example, last year your fiscal year 1986 justification estimated 67,000 responses to search and rescue cases, and you now project over 70,000 for 1986.

Similarly, aircraft flight hours for pollution control, fisheries enforcement and law enforcement are projected to be up over your original 1986 estimates.

Will reductions be required in these areas?

If so, how much?

[The information follows:]

The President's FY 1987 budget request will fund the Coast Guard at a level commensurate with his original FY 1986 request. At that level we should be able to return to essentially normal levels of operation.

OE SAVINGS AS REQUIRED BY GRAMM-RUDMAN

Mr. LEHMAN. Would you provide for the record a detailed breakdown of how you intend to achieve the $70 million in savings in operating expenses as required by the Gramm-Rudman legislation, including a detailed description of the impact of these reductions on various missions and the performance data provided in your budget justifications?

[The information follows:]

After allowing for fixed expenses, operations and maintenance will be reduced by approximately 30 percent overall. New equipment purchases, inventory replenishment, and maintenance will be deferred to fiscal year 1987. The Secretary has testified before this Subcommittee, her intention to seek a non-monetary supplemental on behalf of the Coast Guard. The extent to which we may have to curtail operations will depend on prospective Congressional actions on the Supplemental and the President's FY87 request. Since all Coast Guard units are multi-mission, reductions will impact all programs to some extent.

IMPACT OF FY 1987 GRAMM-RUDMAN REDUCTION

Mr. LEHMAN. It has been estimated, that in order to meet a $144 billion deficit level in fiscal year 1987, across-the-board reductions of approximately 13 percent may be required for all non-exempt domestic programs.

If such a 13 percent reduction were to be required in fiscal year 1987, what cutbacks could be anticipated in Coast Guard savings?

You have already partially answered that. You are hoping that the President's request will protect you against that, but, you know, there is no absolute, in these days and times, and you are going to have to, whether we like it or not, look for, as you say, this worst case scenario.

Admiral GRACEY. Well, I understand that, and I can give you some numbers on that one, but not types of units. But let me just put a potential across-the-board cut in perspective as it would affect the Coast Guard.

It would be an absolute disaster. Now you said 13 percent. The figure I heard was 20 percent. So I will give you some numbers that go with 20 percent and we can play it either way.

But if, in FY 1987, there were a sequestration of 20 percent, I assume it would be further, over and above FY 86. If it is going to happen in 1987, presumably you are going to let the 1986 go through, too, instead of making FY 86 adjustments that are possible, as I understand it.

A 20-percent sequestration in FY 87 would amount to a reduction of $367 million in our operating expenses. That would be one and a half times the size of the reduction proposed by the Senate last fall, and it is five times larger than the Gramm-Rudman for this year.

You know what we said we would have to do for the $230 million cut. Can you imagine it one and a half times larger than that, on top of the problem we have this year?

In effect, Mr. Chairman, the essential character of the Coast Guard would be drastically changed, and we would have to stop doing a lot of things. It would not be a case of spreading them around.

We would just have to stop doing a lot of things. It would be destructive to the Coast Guard.

Mr. LEHMAN. I cannot agree with you more.

Admiral GRACEY. Across-the-board cuts are really bad news.

Mr. LEHMAN. For the record, could you go into more detail on what a disaster you say it would be.

Admiral GRACEY. I will try.

Mr. LEHMAN. It will be painful, but, try.

Admiral GRACEY. Well, it is not because it is painful; it is a case of trying to give you something that is meaningful and yet not—what we are trying desperately to do—and if it sounds like I am jousting with you, Mr. Chairman, I do not mean to do that—but we are trying desperately not to play the "Chicken Little" game, not to be crying wolf, or the witch game. We are trying to be realistic and manage this thing. We understand the importance of getting the deficit down and we are trying to do it.

Mr. LEHMAN. "Chicken Little" might be right. [Laughter.]

Admiral GRACEY. Well, I have to tell you, that if we go with across-the-board cuts, and the President's budget is not passed next year, I think "Chicken Little" may have something; yes, sir.

GRAMM-RUDMAN LEGISLATION INTERPRETATION

Mr. LEHMAN. The Gramm-Rudman legislation states that any funds which have been sequestered are "permanently cancelled." I notice, however, that your fiscal year 1987 budget proposes a direct restoration to your base of the $69.9 million sequestered from your operating expenses appropriation in fiscal year 1986.

This is, as you know, in your budget. What is your interpretation of this part of the Gramm-Rudman legislation?

Admiral GRACEY. Well, I think we have established a new bit of magic in the government, because somehow, we have managed to make a word like sequester come out a four-letter word.

I think what is happening here, Mr. Chairman, is that the President is putting his words in action. He is saying that he is opposed to across-the-board cuts, that high priority programs should not be cut, and that he considers the Coast Guard a high priority program. That is what the President is saying with his FY 87 budget request.

As I understand the rules of the sequestration process, when a final order is issued, that applies for that fiscal year.

You cannot restore those funds that fiscal year and restore a program that has lost the funds. You lose it for that year.

However, the total volume of funds sequestered applies to the government as a whole in future years. Then programs can be rearranged as long as that total reduced level of funding is not exceeded.

So, what the President is saying here is, "Okay, if we cut this amount from the Coast Guard in 1986, we will live with that; that is the dip. But we will take that cut somewhere else in future years, and I, the President, am going to restore those high priority programs in future years I cannot do it this year, but as long as I do not exceed that overall lower 1986 level, I can move that money around to other programs in FY 87." As I understand it, those are the rules.

Mr. LEHMAN. I would hope that is correct, but it is not the kind of interpretation that we hear from other agencies in the Department of Transportation. Maybe we could borrow your attorney for UMTA, or for some of the other agencies. I would certainly hope that you are right; but right now, I would be very careful, if I were you, not to be overly optimistic on the recovery of the sequestered money.

Admiral GRACEY. Well, Mr. Chairman, you may remember, I stumbled when I said the word "restore" a few minutes ago. I hesitated and tried to find another word.

Mr. LEHMAN. Regain, or whatever you want to say.

Admiral GRACEY. There is no way to find a polite word. What we are really saying is this: because the Coast Guard is funded at $1.6 million in 1986, that does not mean that it can never be funded higher than that in the future. It does not mean that some other agency could not be cut and the Coast Guard funded higher in future years.

It cannot be done this year but it can be done in future years, as I understand the rules. If the law says that once a cut is made in an agency, there will never, ever, be any increases made again in

that agency, this country is in deep yogurt, Mr. Chairman. I do not think that is what it says.

Mr. CONTE. Will you yield, Mr. Chairman.

Mr. LEHMAN. Yes, but let me just say one thing, Mr. Conte. I think we are on unchartered seas as we move into the new era of Gramm-Rudman. I do not think that anybody knows what the playing field will be. We will just have to wander into it, hoping for the best. Now I will yield to Mr. Conte.

Mr. CONTE. I just had a similar experience yesterday, with the Labor Department, on labor statistics programs. They have come in with their 1987 budget, which not only puts back in what was cut, the 4.3 percent under Gramm-Rudman, but they have even gone above that. So there is precedent for it, all over the government.

Mr. LEHMAN. It could happen, but there is no surety that this is what the——

Mr. CONTE. There is no law to prevent it either.

Admiral GRACEY. Well, I notice there are other examples. Defense is in higher this year as well, and the President is saying, as I said earlier, across-the-board cuts are bad; the higher priority programs should stay high priority; and he thinks the Coast Guard is a high priority program. I certainly agree with him on that.

Mr. LEHMAN. Thank you. Mr. Coughlin.

Mr. COUGHLIN. Mr. Chairman, with your permission, may I yield to the distinguished Ranking Minority Member of the full committee, recognizing the demands on his time.

Mr. CONTE. I really appreciate that, and thank you and the Chairman, because I have another committee I need to get to. But Admiral Gracey, it is a pleasure to have you before this committee.

I understand that your tour of duty as Commandant will be ending during the coming year, and therefore, this, most likely, will be your last appearance before this subcommittee as Commandant.

Admiral GRACEY. That is true.

Mr. CONTE. At this point I would simply like to congratulate you for your very outstanding service to the Coast Guard and the nation, and I wish you the greatest success in whatever endeavors you may choose to get into.

Admiral GRACEY. Thank you, sir.

FY 1987 AC&I BUDGET REQUEST

Mr. CONTE. I was extremely surprised to see the budget request of only $77 million for the Coast Guard's Procurement Account.

Actually, I should not say surprised, but I should use the word shocked. What was the Coast Guard's original request for the AC&I account?

Admiral GRACEY. It was in the order of magnitude of $500 million.

Mr. CONTE. $500 million, and you have got $77 million?

Admiral GRACEY. Well, if you remember, we did have a sizeable increase in AC&I in 1986, where you include the funds for us in DOD.

Mr. CONTE. Yes. I am going to get into that.

Admiral GRACEY. OK.

AC&I BUDGET REQUEST TO OST

Mr. CONTE. The budget proposal is for $190 million of the 1987 AC&I program by the transfer from last year's Coastal Defense Augmentation initiative, and I certainly support the Coast Guard's need for that $190 million. But I strongly question whether the Coastal Defense Fund should be raided in this way to finance the Coast Guard's program. The effect here is to take $375 million that we provided in the defense bill, and stretch it over a number of years to cover the Coast Guard's regular capital program. I hope that the spies from OMB are here listening and are taking notes, because I want to make it very clear that the $375 million in the defense bill—and I had something to do with that, along with Ted Stevens—was not intended as a substitute for regular DOT Coast Guard appropriations.

Augmentation means "additional" in Webster's Dictionary, or "supplemental," and it does not mean substitute. For the record, will you provide a listing of the items in your original AC&I request to the Secretary, along with a narrative justification for each item?

Admiral GRACEY. Yes, sir. We would be happy to do that.

[The information follows:]

Fiscal Year 1987 AC&I Request to
the Department of Transportation

Patrol Boat (WPB) Replacement Program.....$24,200,000

To initiate a multi-year program to replace the Coast Guard's Cape and Point Class patrol boats, which will have met or exceeded their useful service lives in the early 1990s.

270-Foot Medium Endurance Cutter Procurement.....$4,400,000

The contract for 270-foot Medium Endurance Cutters (WMEC), 5 through 13, provides for an annual price adjustment based on changes in established economic indices. This request is to fund the adjustment required for the year ending 1987.

Small Waterplane Twin Hull (SWATH) Demonstration and Evaluation.$11,200,000

To acquire a one-of-a-kind Small Waterplane Twin Hull (SWATH) vessel and to demonstrate and to evaluate its potential for operational missions involving both larger and smaller cutters in the Coast Guard inventory. This evaluation of this craft would provide valuable input to future cutter replacement decisions.

River Tender (WLR) Replacement.....$6,000,000

The USCGC DOGWOOD, servicing the Arkansas River, and the USCGC LANTANA, servicing the middle Mississippi River, are the only Coast Gaurd floating units within the area of operation on critical waterways which are not subject to commercial contracting. This request is to replace the second of 2 aging Second District WLRs.

Acquisition of Replacement Motor Lifeboat (MLB).....$1,500,000

To initiate a multi-year program to replace the Coast Guard's 44-foot Motor Lifeboat (MLB). FY 1987 funds will provide for the development, construction and evaluation of a MLB prototype. This evaluation will serve to support the Coast Guard's decision regarding full production of a replacement MLB.

210-Foot Medium Endurance Cutter (WMEC) Mid-Life Maintenance
Availability (MMA).....$43,100,000

16 210-foot WMECs were built from 1963 to 1968. Main propulsion machinery and auxiliary equipment are non-standard, creating training and logistics problems. Habitability and reliability have declined over the years. This program will ensure that this class of cutter will remain mission capable and supportable in the second half of its service life.

378-Foot High Endurance Cutter (WHEC) - Fleet Renovation
and Modernization (FRAM).....$111,300,000

Twelve 378-foot WHECs, built between 1965 and 1971, are approaching the mid-point of their useful service lives. They are experiencing declining reliability and an increasing ratio of maintenance days to operational days. This request is to continue the FRAM program with funding for cutters #6-8.

Seagoing Buoy Tender (WLB) Service Life Extension Project (SLEP).....$14,100,000

The Coast guard operates a fleet of 180-foot aids to navigation servicing vessels. All of these were built during World War II for the purpose of servicing aid to navigation in a hostile environment. The WLBs are still seaworthy and are capable of continued mission performance, but because of age, require renovation. During the renovations, obsolete equipment (electrical, heating, piping, etc.) is replaced or overhauled, new equipment is added and habitability improved. 14 of these WLBs are scheduled for such renovations. This request initiates funding for long lead-time materials for the last 5 WLBs.

Helicopter Traversing System For Cutters.....$8,700,000

This project would procure and install a traversing system on 30 cutters. This system would enable hangar equipped cutters to safely move helicopters into the hangar after landing. Lack of a traversing system precludes moving the helicopter to the hangar in moderate to high sea states due to ship motion, which exposes the helicopter to the elements and contributes to increased pre-patrol, and post-patrol maintenance due to corrosion.

Polar Class Replacement Main Propulsion Monitoring and Control System.....$2,200,000

To replace the main propulsion monitoring and control system on the Polar Class icebreaker POLAR SEA.

Icebreaker Science Support Improvements.....$1,700,000

The recent interagency POLAR Icebreaker Requirements Study noted deficiencies in the on-board scientific capability of all Coast Guard icebreakers, and recommended corrective action directed at improving the scientific facilities to best meet the needs of user agencies (USN, NSF, MARAD, etc.). This request provides for improved science laboratories for 2 icebreakers and acquisition of a Polar Class coring device.

HC-130 Forward Looking Airborne Radar (FLAR).....$23,400,000

To procure 11 surface search radars to be installed on HC-130 aircraft. The program calls for the acquisition of a total of 35 operational and support radar systems. The U.S. Navy will provide approximately 15 of the 35 systems. This request, along with prior year funds and U.S. Navy support, would fund procurement and installation of approximately 30 systems through FY 1987 dependent upon final unit costs and the timing of U.S. Navy funding.

HU-25A Spare Parts Provisioning.....$9,700,000

To purchase HU-25A airframes and engine parts to support the Medium Range Search (MRS) aircraft fleet. Prior year funding is being utilized to procure additional ATF-3 engines as the Coast guard's most pressing HU-25A support requirement. The lack of sufficient spare parts and related equipment has caused extended groundings of these aircraft and reduced operational availability.

Enhance Long Range Search (LRS) Capability.....$43,800,000

To procure 2 additional HC-130 airframes, Procurement In Lieu of Conversion (PILOC), to enhance law enforcement and search and rescue mission capability.

HU-25A Sensor Spares.....$14,900,000

Funding is requested to purchase parts, test equipment, and support equipment for Active Gated Television (AGTV).

Secure Communications Capability.....$2,600,000

To install previously acquired secure communication equipment. Secure voice cryptologic equipment is required to transmit national security information and conduct timely law enforcement and military operations. The vulnerability of law enforcement communications has been a particularly difficult operational problem.

Sea-Based AEROSTAT Acquisition.....$19,800,000

This project would continue a multi-year acquisition of Sea Based Aerostats (SBA). These systems would provide the needed year round continuous large area surface radar coverage of Caribbean chokepoints not possible with current resources. SBAs are considered force multipliers designed to increase the effectiveness of present interdiction platforms in the effort to interdict drugs. Long term leasing of SBAs is neither feasible nor desirable.

Expanded ADP Capability - Districts.....$8,500,000

This program is designed to procure and install minicomputers at District offices. At all levels of the Coast Guard, management information processing needs are not being met. District staffs cannot obtain analyses or update data files except by routine printed reports, causing delays in information transmission and forcing time-critical decisions based on insufficient and out of date information. The target system consists of an off-the-shelf minicomputer at each of the 12 District offices, capable of stand-alone processing, Data Base Management System operation, and communication with TCC, OCC and the Standard Terminal.

Search and Rescue Satellite - Aided Tracking.....$4,600,000

This project would establish 2 additional Local User Terminals (LUTs) for receipt of distress alert messages. These LUTs would provide coverage over voids (Caribbean, Hawaiian Islands) within the internationally recognized U.S. maritime Search and Rescue (SAR) region of responsibility. The project provides the maritime and aviation community with a truly global low cost, passive system for alerting SAR forces to a distress.

Information Resources Management.....$2,700,000

To continue a multi-year program to define a mid-level (District) integrated data information system and to develop a pilot site with application software. This mid-level computer will complete the balance between current micro and main frame processing levels, and provide a capability to share data among systems and avoid redundant data handling and collection.

Navigational Warning Broadcast.....$2,200,000

The concept of Navigational Warning Broadcast (NAVTEX) was introduced at the 1976 International Maritime Organization (IMO) as a means of improving transmission of navigational warnings and reducing the workload of the radio and watch officers. Subsequently IMO took action to require carriage of NAVTEX receivers on ships of 300 gross weight ton (GWT) and larger by 1991. In order to implement this system, the Coast Guard must replace 28 Medium Frequency transmitters at 11 communications/radio stations, and purchase 11 teletype and radio keying units and spares. 150 receiver sets for cutters 95 feet and larger will also provide Coast Guard vessels with NAVTEX data. Immediate, efficient methods of transmitting Notices to Mariners is the primary benefit of implementing this system.

Aircraft Repair and Supply Center Computer System - Elizabeth City, NC.....$4,400,000

Funding was requested to replace the existing Burroughs B6700 mainframe computer system at the Aircraft Repair and Supply Center (AR&SC), Elizabeth City, NC and to meet additional information resource management needs resulting from the introduction of MRS and SRR aircraft.

Minor AC&I Shore Construction Program.....$12,500,000

With the overall size of the Coast Guard shore plant, a continuing requirement exists to address a number of relatively small maintenance projects. Often if action can be taken in a timely fashion, considerable cost benefits and productivity improvements can be realized by completing the entire scope of the project at one time in lieu of incremental replacement or renewal.

Survey and Design.....$12,800,000

Advance surveys, design and planning in 1987 are required to insure efficient and effective execution of major projects in future years. The projects for which this preliminary work must be accomplished are part of the long range plans for facility renovation, replacements and expansions.

Air Station Barracks Rehabilitation, Kodiak, Alaska.....$2,900,000

Funding was requested for complete rehabilitation of Barracks 9, a Bachelor Enlisted Quarters (BEQ) building at Air Station Kodiak. The 32 year old structure is in a severly deteriorated condition and some portions are unfit for occupancy due to structural degradation. The building requires roofing and exterior repair.

Air Station Ramp Paving.....$2,000,000

Funding was requested to pave portions of the aircraft fueling and parking ramp at Air Station Kodiak that presently consists of gravel and dirt. The aircraft assigned to Air Station Kodiak have increased in both size and number since 1972 when the Coast Guard became responsible for maintenance and operation of the Air Station. Insufficient usable ramp space causes daily parking, fueling, and maneuvering problems. Additionally, the gravel portions of the ramp are a hazard to engines and airframes.

Air Station Hangar Construction, Savannah, GA.....$5,500,000

Funding was requested to construct a new maintenance hanger at Air Station Savannah, GA. The existing facility, built in 1963, is poorly configured and in a deteriorated condition; it can accommodate only one aircraft at a time. These facility deficiencies will be further exacerbated by the location of new and additional numbers of aircraft to the air station. 4 new HH-65A Short Range Recovery (SRR) helicopters will replace the 3 existing HH-52A assigned to Air Station Savannah.

Support Center Community Center, Kodiak Alaska.....$1,100,000

To replace the existing, dilapidated community center structure at Support Center Kodiak. Support Center Kodiak housing areas are densely populated and devoid of recreational or community facilities aside from play equipment areas for small children. The existing community center is housed in an old, deteriorated, wood building. The structure contains many code violations, is functionally and physically inadequate,and is remote from the housing areas. No other facilities of this nature currently exist at the Support Center.

Support Center Recreation Facility, Kodiak Alaska.....$5,700,000

To construct recreational facilities at Support Center Kodiak including a swimming pool training tank, locker rooms, and raquetball/handball courts. Support Center Kodiak is isolated in location and subject to a severe, harsh climate. This environment combined with the fact that existing recreational facilities are a very limited and dilapidated, seriously affects the morale of the unit. The existing gymnasium is not properly sized to meet the demands placed upon it by the personnel assigned to the Support Center and lacks certain key functions such as a swimming pool and playing courts.

Support Center Dispensary, Elizabeth City, NC.....$2,200,000

To construct a new medical/dental dispensary at Support Center Elizabeth City. The existing facility, vintage wood structure of the early 1940's, is undersized to meet current demands, is poorly laid out, and is functionally inadequate.

Support Center Electrical Distribution System Renovation, New York, NY.....$3,400,000

This project will alleviate the overloading of existing electrical service feeders to Support Center New York, and will provide adequate electrical distribution to accommodate present and future loads.

Support Center Security and Ordanance Building, Portsmouth, VA.....$600,000

To provide an adequately sized security/ordanance building for Support Center, Portsmouth, VA. Present functions are split in separate facilities with inadequate support systems (fire alarm, monitors, etc.). The existing armory lacks adequate space for weapon storage, cleaning and repair, and training.

Support Center Renovation, Seattle, WA.....$5,200,000

This project would permit the Coast Guard to begin construction and renovation of facilities at Pier 35 and Piers 36/37 to consolidate Coast Guard activities and to provide the Coast Guard with functionally adequate spaces for industrial and administrative operations.

Moving and Outfitting for Electronics School, Petaluma, CA.....$2,000,000

Funding is required for outfitting associated with the construction of a new electronics training facility at Training Center Petaluma, California. The current electronics training center at Governors Island, New York will be relocated to Petaluma when construction is completed during fiscal year 1987.

Construct Dispensary Addition, Training Center, Petaluma, CA....$2,000,000

To construct an addition to the Training Center dispensary to provide the necessary level of medical care to the Center's growing beneficiary population.

Construct Medical/Dental Building, Training Center,
Yorktown, VA.....$2,400,000

Reserve Training Center's medical/dental facility does not meet contemporary standards for ambulatory health centers. The building is a fire hazard and is too small for the patient load. It also requires excessive energy and maintenance expense.

Construct Administration Building, Training Center,
Yorktown, VA.....$2,500,000

Provide a consolidated administrative facility for the Commanding Officer and the Comptroller, Special Services, Administrative Support, and Facilities Engineering Divisions at Reserve Training Center, Yorktown. The offices for the Commanding Officer and the Comptroller, Special Services Administrative Support and Facilities Engineering Divisions are divided between buidlings 48, 54, and 55. These buildings are temporary wood frame structures built prior to WWII. They are functionally and energy inefficient and do not meet current space and design standards.

Unaccompanied Personnel Housing and Dining Facility,
Training Center, Petaluma, CA.....$15,200,000

Provide adequate housing and dining facilities for students assigned primarily to the Electronics Technician (ET) and Telephone Technician (TT) Schools. These schools will move from Governors Island, NY to Petaluma, CA as part of a service-wide plan to improve the overall effectiveness of the Coast Guard training system.

Construct Station Barracks/Dining Facility, Montauk, NY.....$1,100,000

Provide adequate housing for unaccompanied personnel and an enlisted dining facility for personnel assigned to Station Montauk and the collocated patrol boat CGC POINT WELLS. Sufficient adequate year round housing is not available in this semi-isolated resort area. The present galley and dining facilities are inadequate, and no recreational space exists.

Construct Station Barracks/Dining Facility, Toledo, OH.....$900,000

To construct a two story, 6,876 square foot brick building at Station Toledo for use as Unaccompanied Personnel Housing (UPH) and a dining facility. Existing personnel spaces (restrooms, recreation and administrative spaces) are inadequate and berthing space for watchstanders is critically short. There are now no dining facilities or UPH facilities at the station, nor recreation room. The restroom facilities are inadequate for mixed crew use. Female watchstander accommodations are sub-standard.

Public Family Housing.....$17,900,000

Funds are required to continue to provide adequate family housing in certain duty areas in the U.S. and overseas where the housing supply is insufficient or inadequate to meet the minimum requirements of Coast Guard assigned personnel. Coast Guard owned housing is acquired only where other alternatives are not available, inadequate or not cost effective.

Base Renovation, Ketchikan, AK.....$3,000,000

To replace the existing Unaccompanied Personnel Housing (UPH) structure at Base Ketchikan, AK.

Station Main Building Replacement, Cortez, FL.....$2,100,000

To replace the current facility which is 95 years old. The current structure has deteriorated to a point where it is hazardous and directly affects the operational efficiency and support capability of Station Cortez. The existing building is a two story wood construction building which was built in 1890 as a store and later used as a 22 room hotel. The Coast Guard purchased this site in 1974 with the recognition that the building did not meet minimum engineering/safety codes and would be used only temporarily until a new station building was built. Over a decade has passed and the facility is still in use and is fraught with major safety hazards. The potential for a fire and loss of life are major concerns.

Rebuild Station, Panama City, FL.....$2,300,000

To construct new and renovated facilities at Panama City, FL. Expanded workload has resulted in personnel overcrowding in both living and working spaces and use of energy inefficient temporary buildings that do not meet engineering standards for this hurricane prone area.

Station Rehabilitation, Ponce de Leon Inlet, FL.....$1,700,000

To rehabilitate Station Ponce de Leon Inlet through extensive renovation of the existing buildings, installation of an on-station boat ramp and addition of a berthing wing. The obsolete design and insufficient space within existing facilities and lack of an on-station boat ramp adversely affects Coast Guard operations.

Construct Permanent Station, Yankeetown, FL.....$1,300,000

To construct a permanent station at Yankeetown, FL which will replace existing houseboat facilities. Effective and efficient accomplishment of Coast Guard missions in the Florida area are hampered by the temporary houseboat arrangement.

Base Mooring Improvement, South Portland, ME.....$5,000,000

To renovate and improve the mooring facilities at Base South Portland. These facilities provide moorings for 5 cutters, 6 boats, and a large navigational buoy.

Relocate Moorings, Greenville, MS.....$1,900,000

To provide adequate facilities to support an augmented buoy tender (CGC PATOKA) and a Marine Safety Detachment (MSD) at a new site located at Port of Greenville South Terminal. The present facility is located on the river side of the Mississippi River levee. Flooding is experienced annually at the facility. The access road has periodically been inaccessible (except by boat) in ten of the past twelve years.

Replace Station Building, Lorain, OH.....$1,900,000

Funds are requested to replace the existing facility at Lorain, Ohio. Station Lorain is deteriorated and lacks adequate space to the point of adversely affecting Coast Guard operations along a 25 mile portion of Lake Erie. There is no provision for the accommodation of females. Present site is experiencing erosion which must be checked by new bulkheading.

Construct Permanent Station, Georgetown, SC.....$2,100,000

To construct a permanent station at Georgetown, SC which will replace existing houseboat facilities and allow collocation of the Aids to Navigation Team (ANT) Georgetown. Effective and efficient accomplishment of Coast Guard missions in the South Carolina area are hampered by the temporary houseboat arrangement.

Station Improvement, Port Isabel, TX.....$1,200,000

To enhance the operational efficiency of Station Port Isabel by construction of a covered mooring, shops, bulkhead, and a boat ramp. The existing facility lacks an on-station boat ramp, causing delays in response to SAR cases from 30 minutes to as much as 2 hours due to vacation traffic congestion during the summer boating season. Further, the standard non-trailerable boats moored at finger piers in the basin are exposed to strong prevailing winds and spray; both boats and equipment experience corrosion problems, resulting in nearly twice the average amount of time spent on maintenance and repair. Shop spaces are only two-thirds the size necessary to support operations and are located in one of the station's berthing rooms.

Rebuild Station, Burlington, VT.....$1,800,000

To rehabilitate Station Burlington through construction of a multi-purpose building, shop complex and rebuilding of the breakwater. The current facility, originally designed to support 4 personnel, now supports 13 and is deteriorated, cramped and unsafe to the point of adversely affecting Coast Guard operations on Lake Champlain.

Lighthouse Automation and Modernization Project (LAMP).....$1,500,000

Staffed light stations are in an inefficient use of Coast Guard personnel and require continued logistics support, often at isolated locations. 2 staffed light stations will be automated and standard LAMP engineering systems will be installed at 3 lighthouses previously automated with non-standard, unsupportable equipment.

Waterways Aids to Navigation Projects.....$4,500,000

Existing aids become inadequate for a variety of reasons and need to be improved and replaced periodically in order to fulfill changing maritime user requirements. New aids to navigation are established, as required, when the navigable waters of the U.S. are improved or extended by the Corps of Engineers.

Relocate Loran Monitor Station, Spruce Cape, AK.....$700,000

The existing monitor station facility at Spruce Cape is a "temporary structure" that is 32 years old and which no longer meets building codes or Coast guard habitability standards. The station consists of World War II Quonset huts located on Spruce Cape, nine miles from Support Center, Kodiak, AK. A significant fire hazard exists due to old wiring and flammable construction materials. Unaccompanied personnel live in the present facility, while married personnel are berthed at the Support Center in existing barracks. Winter storms periodically isolate the station.

Personnel and Related Costs.....$26,200,000

Provide funding for salaries, travel and support of 525 billets and positions in the Acquisition, Construction, and Improvement (AC&I) program. Each new project requires planning, contracting, provisioning, and inspection and associated expenses which are necessary to ensure timely delivery of a quality product.

TOTAL REQUEST.....$520,100,000

REPROGRAMMING REQUEST

Admiral GRACEY. If I may, I would just like to make one statement. The things we want to reprogram for are all directly consistent with the kinds of things that Congress included and the purpose of the extra funding. Many of them will be the same things.

Our concern was to avoid having a carryover and our ability to use the money and spend it wisely in this fiscal year. In other words, an attempt to continue the spirit of what was there without specifically having all of those line items in 1986 to spread the money over the 2 years.

We will be happy to give you the information you asked for.

DOD TRANSFER OF O&M FUNDS

Mr. CONTE. All right. You know that I was the author of the $100 million transfer from the Navy O&M account to Coast Guard operating expenses in the 1986 defense bill.

When we heard from Secretary Dole last week, there was a snag in the Navy's transfer of these funds to the Coast Guard.

Has that snag been resolved, and if not, what do we need to do to get that money for the Coast Guard?

Admiral GRACEY. We think it has been resolved, Mr. Conte. The problem was, as I understand it, with how the Navy was allowed to use its O&M money, and the $100 million was all put into O&M.

Mr. CONTE. But you got it resolved?

Admiral GRACEY. Yes, sir.

Mr. CONTE. Okay, if you have any trouble on any of those, let me know, and we will try to move them.

Admiral GRACEY. The question is there, Mr. Conte. As long as we are funded that way, we will continue to have the problems unless we can find a way to clear that glitch.

The neatest thing to do, of course, is to give us the money and let us deal with it and let us deal with the issue. I recognize, and I appreciate, as you well know, you were solving a particularly knotty problem last year. At one point, we went through a situation where DOD had the responsibility for the money because it has their label on it. They were going to do some things with it that ultimately would accrue to us, but it does not give us the flexibility to manage our own programs. It is really better if it comes directly to us.

SPACE SHUTTLE CHALLENGER

Mr. CONTE. Oh, there is no doubt about that.

The Coast Guard has a significant role in the recovery of the debris from the Space Shuttle Challenger tragedy. Could you outline the resources the Coast Guard brought to bear on that mission?

Admiral GRACEY. I can give you details about numbers of units and so forth for the record, Mr. Conte. We always have several units out there for security, and they were on the scene right away. Later we brought in some cutters, and several aircraft. We used our new Falcon jets with the AIREYE sensor, which is designed to pick up small objects floating in the water. We used our high en-

durance cutter with its shallow water sonar to pick up and locate the objects on the bottom. We had some buoy tenders out there because they had the hoisting capability to lift the materials aboard.

I will give you an exact number for the record.

Mr. CONTE. That would be useful later on.

[The information follows:]

Coast Guard units involved in recovery of debris from the Space Shuttle Challenger tragedy included:

Cutters:
- DALLAS (performed as On-Scene Commander)
- DAUNTLESS
- HARRIET LANE
- BEAR
- TAMPA
- CHEROKEE
- SWEETGUM
- PT ROBERTS

Aircraft from Air Stations Elizabeth City, Miami, Clearwater, Traverse City and Savannah:

C130 airplane	two
HU25 airplane	three (one with AIREYE electronics suite)
H3 helicopter	two
H52 helicopter	one

Small boats: 18

Personnel: Groups Mayport and Charleston, Station Port Canaveral, District Seven Operations Center Miami (Mission Coordinator), and numerous Reservists and Auxiliarists from within the region.

COSTS OF CHALLENGER RECOVERY EFFORT

Mr. CONTE. I was pleased to hear you say that the AIREYE system worked well.

Admiral GRACEY. Yes, sir. I do have some figures here, if you would like me to tell you orally, sir.

Mr. CONTE. Sure.

Admiral GRACEY. For the routine launch we had an 82-footer and two 41-footers, and several Coast Guard Auxiliary vessels.

Initially, right after the event, we had 2 C-130's, 2 H-3 helicopters, the 82-footer, the 210-foot cutter, the 378-foot cutter, and the sweetgum, a buoy tender, plus a batch of small boats.

On scene on the 3rd of February, which was almost a week later, we still had a C-130, 2 H-3's, again the HU-25 with the AIREYE, an 82-footer, the 210, essentially the same ships. And then we had two 270-foot cutters and another medium endurance cutter on scene, later on.

Mr. CONTE. Could you have somebody in your shop put in the record, how much you think that cost you?

Admiral GRACEY. Yes, sir.

[The information follows:]

Coast Guard costs for recovery of debris from the Space Shuttle Challenger tragedy were estimated based on the standard rates used to compute reimbursable charges for (1) other government agencies and (2) the private sector where specific authority exists. The number of hours on scene multiplied by the standard hourly rate of the specific class of response craft determined the costs. Additional costs such as Coast Guard Auxiliary and Reservists support totaled about $6,000 per day for 10 days.

Overall estimated cost is $2,302,442. General categories were:

Cutters: 877 hours costing	$1,148,558
Aircraft: 289.2 hours	958,236
Small boats: 432 hours	135,648
Misc	60,000
Total costs	2,302,442

COASTAL DEFENSE INITIATIVE C-130'S

Mr. CONTE. One of the items that dropped out of the Coastal Defense Initiative was the C-130 aircraft. The Defense Appropriation Conference Report called for the procurement of an additional four C-130's.

I understand that your budgetary concerns were predominant in dropping those aircraft. Could you tell me where an additional 1, 2, 3, or 4 C-130's would be deployed if you had them?

What additional missions could you perform with those C-130's, and what would be the additional costs of crewing and operating the C-130's?

Admiral GRACEY. I can tell you, Mr. Conte, if we had them we would put them most probably in Clearwater, Elizabeth City, and Sacramento.

We would concentrate them mostly in the southeast, Elizabeth City, North Carolina and Clearwater. We are getting to a problem at Clearwater. One more C-130 there or two, and we are going to have do some major construction. And we took a look at whether

we could deploy out of Elizabeth City, save that construction cost and have a net saving, but we really cannot.

There is a heavy operating expense that goes with operating a C-130 but it is well worth it. They would be used in the drug mission. They all have a defense mobilization assignment. Of course, there is always search and rescue and when we get our forward-looking radar on them, which is coming, they will be marvelous long-range surveillance and search aircraft.

And of course, we always use them for logistics—C-130's are great—if you need to haul something or somebody from one place to another, there is really no substitute for the kinds of missions we operate in.

BOSTON SHORE FACILITY PHASE III

Mr. CONTE. Could you give me an update on the Boston shore facility, the Phase III project? Will the facility be ready to accept the new ships on schedule?

Admiral GRACEY. Yes. It is going forward. I will give you that for the record, if I can, Mr. Conte.

Phase III was one we had planned to postpone, but we have been directed to go forward with it, so go forward we will.

But that does not affect the pier facilities for the new ships. Phase III is office space and related support facilities, including a recreation facility. So that will not affect the ability to tie the ships up there and support them.

[The material referred to follows:]

Bids on Support Center Boston, Phase III, are scheduled to open in May 1986 with the construction contract awarded in late June or early July 1986. Contract completion is scheduled for December 1988.

EFFECT OF PERSONNEL REDUCTIONS

Mr. CONTE. The budget calls for a decrease in the Coast Guard's personnel. What effect will a decrease have on your ability to effectively man your missions and how much money will it take to keep your personnel level constant?

Admiral GRACEY. Any time we cut people, of course, it cuts our flexibility to meet contingencies, to increase crew size and get more work out of our hardware.

I cannot tell you how much it would cost to get it there, Mr. Conte, I would have to provide that for the record.

But we figure normally $30,000 per person. That is a rough rule of thumb. However many people you want to add, figure $30,000 for each.

[The material referred to follows:]

Coast Guard is requesting a FY 87 FTE level of 38,500. To reach the FY 85-86 authorized level of 39,150 FTE would require an additional FTE of 650. Since the standard cost for an additional FTE is approximated $30,000 the cost of the additional FTE would be $19,500,000.

PROPOSED CLOSING OF STATIONS

Mr. CONTE. In the budget that you are submitting here, today, do you propose any closing of stations, or similar actions that prompted such an uproar last year?

Admiral GRACEY. No, the budget does not. But if we get into the kinds of situations I was talking about with Mr. Lehman we will have to close some. I should say the budget does not call for any specific closings, however you will note there is a rather sizeable figure called "productivity initiatives", of $7 million. That involves consolidations and regionalizations. If you consolidate and regionalize, something closes somewhere.

So undoubtedly there will be some. But we have not identified specific closings.

USER FEE LEGISLATION

Mr. CONTE. Okay, I have a lot more questions that I will submit for the record, but I would like to have your opinion of why you support the user fee legislation, H.R. 1936, which I submitted last year.

I would like to get a little more reasons why we need that right now, more than ever before.

Admiral GRACEY. Oh, sure.

You said it very well. If we ever needed user fees, we need them now. They are a source of revenue; and one way to reduce the deficit is to cut spending, but there is a limit as to how far you can go with cuts. We have got to get some revenues; and user fees are a logical way to get them.

Having a person whose benefits pay for what he is getting from the government makes sense. Some services should be provided by the government. We are looking at privatization, and in the proper place, that is certainly something to do. But there are some things that you simply cannot privatize, that only the government can do. But when the government is providing a service to a specific group or individual, that group ought to contribute.

And I think that it is especially important this year.

Mr. CONTE. Well, we are going to make another effort. I just cannot see, for the life of me, why I cannot get more people to join on with me. I am the only one so far. I just came from Florida, and I do not pick out Florida, it is any coastal state, like California, or Massachusetts. You get down there and you see all of these big yachts, all of these big fishing boats. It is unbelievable, with $1 or $2 million boats, that these people cannot pay a lousy $20 a year for the great protection that the Coast Guard is giving them. They get search and rescue operations, and that great insurance policy of having ships patrolling out there day in and day out. They get helicopter services, the Falcons, the C–130's and everything else. We could raise about $150 million and give it to the Coast Guard during these desperate times.

I think these boaters are being greedy and selfish, and blind to the whole situation. Look at the inland waterways, and how many billions of dollars we paid for them. Yet, if you get out there on a highway today and your car breaks down, there is nobody to come from the Federal Government and pick you up. You have got to call some garage to come and tow you away. They charge you something. And we are not even saying that. We are not saying that boaters should be charged for being in that critical condition

out in the water, but just pay a little for that insurance policy, $20 a year.

I hope we will be a little more successful this year.

Admiral GRACEY. I hope we will. As you know, Mr. Conte, there is an awful lot of people who go under that bridge and they never make it go up. They are the ones in the little boats. We have to find a way to explain where the gasoline tax is going. That is in the boating fund and boaters have a feeling they are being taxed twice. I have tried very hard to explain why that is not so, but I have not succeeded yet.

We have to get over that hurdle before we get some public backing for the proposal.

Mr. CONTE. Well, they have got a strong lobby. I will never forget that day that I came up here to speak on my bill and——

Admiral GRACEY. How can I forget that, sir, the way that you were dressed.

Mr. CONTE. Well, you know, the gasoline tax pays for the construction of our highways, but yet, if you break down on the highway, you still have to take care of it by yourself. You still have to foot the bill, and the boaters ought to be able to foot a little bill like that.

Thank you, Mr. Chairman, for letting me get that off my chest.

GRAMM-RUDMAN-HOLLINGS IMPACT

Mr. LEHMAN. I understand. Mr. Sabo?

Mr. SABO. Thank you, Mr. Chairman.

Let me welcome you again to the Committee.

Admiral GRACEY. Thank you.

Mr. SABO. I do not really have a question, but let me just muse a little bit about where I think we are at with Gramm-Rudman-Hollings and your contingency planning.

I suppose it is fair to say that if any of us knew exactly where we would end up come the end of September this year, that person would be the most unique person in the country.

Admiral GRACEY. Highly sought after, I suspect.

Mr. SABO. I think so and would get a judgment of being the wisest person in the country.

I think as we, however, take a look at Gramm-Rudman-Hollings, so often we tend to focus on the sequestering that occurred this year and the potential for sequestering in the 1987 budget which may or may not be sustained by the Supreme Court. But whatever the Court rules, there is another part of Gramm-Rudman-Hollings which remains our basic policy dilemma. And that is that it sets a deficit goal of $144 billion for 1987. I expect that regardless of what the Court does, that remains our target.

Admiral GRACEY. That is correct.

Mr. SABO. And we start with a base of having discovered that the President's budget did not meet it. He said that he did, but he did not.

Admiral GRACEY. Which budget is that, sir?

Mr. SABO. The President's budget.

Admiral GRACEY. In 1986?

Mr. SABO. 1987. We start with, I think, at this point, virtual agreement between the House and Senate Budget Committees, that the President underestimated defense expenditures by $15 billion. I think there is also fairly wide consensus that the agriculture program is underestimated by about $5 to $10 billion, which means that the deficit in the President's budget is really in the neighborhood of probably at least $165 billion, not $144. And that assumes also very generous economic assumptions for next year that the economy will grow much faster than it is currently. Faster than what any of the private economic forecasters are projecting. So the problem might even be greater. The dilemma we face is getting to the $144 billion and clearly we will set different priorities than the President. I think, clearly, our approach will not be cuts across the board, but we still have that dilemma of getting to $144 billion and having to make with much larger program reductions than what the President suggested in total.

Admiral GRACEY. In selected areas, I trust.

Mr. SABO. I would not count on it being in selected areas. It is probably going to be across the board, in programs, in varying degrees of reduction. As I look at the budget, I am not sure that any of us are going to want to vote for one that gets to $144 billion. We have the continual bind of being told by the President that we cannot have any new revenue. I think that there are many of us who are bothered very seriously by the proposal to freeze civilian pay for the second year in a row.

We are also bothered by the prospect of freezing retirement COLA's regardless of size, for civil service retirees for the second year in a row. And we feel that within whatever reductions that we have, we need to accommodate pay raises, of some sort, though clearly modest. That we cannot let retirees be frozen in total for a second year in a row.

At the same time, we have to end up with lower expenitures than last year.

My understanding is that if we simply froze outlays at last year's level, we still would not get to $144 billion. So that is our dilemma.

My judgment is that any agency that is planning and expecting to get budget authority that is higher than that 1986 sequestered amount, is going to be highly unusual. I find it difficult to see where that is going to occur any place where we appropriate dollars.

And even at that level, even at budget authority that is at 1986 levels, they may well have to accommodate pay increases and some retirement pay increases within a frozen amount. And to get to $144 billion we are probably going to have to go below those 1986 levels some places in the budget to get to $144 billion as long as the ground rules are no new revenues.

So that is sort of, from my perspective, where I see that we are headed this year. I do not think that it is a pretty picture for you. It is not a pretty picture for other agencies we deal with. I can put my hat on and go over to my other Subcommittee, where the President's budget comes in and says, we are not only not going to build any new housing in this country, we are not even going to repair what exists today. Where he goes far beyond freezes or cuts to virtual eliminations.

But that is where it is as I see it. They are not choices that we want to face but despite what we think is important and what we think should have money spent on at this point, we are going to have to say no and cut from what, in our good judgment, are reasonable levels for 1987 in lots of places.

And even if we get to the $144 billion using his economic assumptions, the economists may decide in August, when we get our new stats, that maybe growth is going to be only 3 percent, which would still be a significant increase in growth over last year, and we could be looking at another $15 to $20 billion that need to be cut, to get to $144 billion.

That is the picture that we face and it is not a pretty one. But I think it is an accurate one.

Admiral GRACEY. There is no doubt that it is an accurate one. I think, Mr. Sabo, a point that I would want to project here, if I may, is that the Coast Guard is not looking to grow. The President is not suggesting that the Coast Guard should grow. In terms of buying power, the figure in the President's request for 1987 is below where we were three years ago.

Sir, think back over what the Coast Guard has gotten involved in and grown into since 1972. In that period—over 14 years—the operating expenses budget of the Coast Guard has grown exactly 26 percent in buying power. Now, I am asking that you think about what the Coast Guard does for America. The Congress is going to have to make some decisions. The President has made some in coming to you and telling you where he thinks the cuts should be made. Obviously, that is what the whole process of government is about—making those decisions. There is no question about there being some hard decisions to be made, but there is nothing sacred about the 1986 level. It was made pell mell; it was made to get the Continuing Resolution on the street with the idea that there would be some time to step back and do some sober reconsidering. This is my private citizen's view standing outside—but I thought that was what we were trying to do. The Continuing Resolution and the Gramm-Rudman-Hollings bill were all put in at the last minute and there really was no time to give a lot of careful thought about what was going to be the impact on 1986.

So, I do not think that any label of being sacrosanct should be put on the 1986 figure. In essence the 1987 figure is going to be the one where we first take a long debated look at where the priorities of this nation are. I submit that the priorities of this nation, certainly, at least in recent years, have been in our security; in the sanctity of human life; in our physical health; and in the future of our society.

And I would submit to you, sir, that the United States Coast Guard is up to its eyebrows in all of those priority matters—stopping drugs, saving lives, keeping our international trade flowing—that is the very lifeblood of the United States. I continue to say that the Coast Guard is a microcosm of the very character of the United States. So I submit there ought to be some priority looks at the Coast Guard and that is what the President has done. That is the only message I am trying to communicate to this Committee.

FISCAL YEAR 1987 DEFICIT LEVEL

Mr. SABO. Mr. Chairman, I guess my response would be that I would not differ with you on those goals. I happen to be one who did not vote for Gramm-Rudman-Hollings. I happen to think that we need revenues to meet some of those goals. Our dilemma is that at this point we cannot develop the political support for increased revenues so that we can realistically deal with what you state to be very good goals.

And until we have the political capacity to deal with that, we are going to shortchange a lot of things that this government does and should be doing to meet the goals that you state.

Our dilemma in the Congress is not only how to get to the goal that was passed by majorities in the House and the Senate and signed by the President. We have the double problem that the President really does not set an agenda, did not deliver a budget with much thought to it, because it fails. It does not get to $144 billion using real numbers. It is way off. I am convinced at a minimum his deficit is at least $165 billion and may well be substantially higher.

And if we assume that Gramm-Rudman-Hollings may be sustained to avoid across-the-board cuts, our job gets to be to get there using real numbers, real assumptions.

And I am just telling you that in my judgment that however irrationally 1986 numbers were arrived at, and there would probably be disagreement over that, I just think that 1986 sequestered numbers are going to be a cap. Most agencies, I expect, will consider themselves lucky if they end up at the 1986 sequestered level. Most agencies of the government, which work on achieving the goals that you have stated, are going to be looking at reductions from 1986 budget levels for us to get to $144 billion.

Admiral GRACEY. I do not think that there is another agency in this government that provides the full range of contributions to those very gut, root-level parts of the character of the United States I talked about that the Coast Guard does, sir.

There are other agencies that deal in pieces of it, but there is nobody else that deals in the full, hard nitty-gritty of it.

Mr. SABO. Well, the agencies of government that work with those goals are a very interesting mosaic. And most every one of them that we talk to come in and give us the very strong pitch on why they are unique and why they should remain at 1986 levels, why they should grow and why there are other lower priority activities of the Federal Government that can make up for their staying static or growing.

Clearly you and other folks should make the strongest pitch that you can for your agency, and your programs, but we face a different type of dilemma. And I wish that we were not here having to make some of these choices. They are not my choices. Clearly, we have to set some different priorities—and the Congress will—from the President. But fundamentally the issues we face in meeting the goals you described no longer are a priorities issue they are basic revenue issues. The basic issue besetting the society is whether we want to pay for certain things or not.

And there, the President's budget is of no help to us, no help to us.

Admiral GRACEY. In the sense that he does not suggest the things that should be paid for? Because he does not offer any revenue increases, is that what you mean, sir?

Mr. SABO. That is right and you know, at some point, unless we are willing to do that, we are going to see just a very fundamental scaling back of government in this country of things that I expect that both of us would agree are rather important.

And unless the opposite happens, I see no alternative to the latter scenario. So that is our dilemma. And that is why I expect at the end we may well end up with numbers in this Committee and in the Congress that if you ask us, do we think that they are good numbers, our answer has to be, no.

If the question is, do they meet the needs that are there and are very legitimate for the future of this country, the answer is no.

But we may well have no other option.

Admiral GRACEY. Well, all I ask you to remember sir, if I may be so bold, is that the United States is a maritime nation. It is an island nation. Our commerce, our trade, the jobs of our people, depend on the flow of raw materials and goods across the sea and on our waterways. That flow and the safety of that flow and the integrity of it and even during wartime situation depend on the work of the Coast Guard.

So, we are not talking about just the individual boater that Mr. Conte was talking about, who gets plucked out of the water. We are talking about national security. We are talking about the health of our society and the drug situation and the very real threat, not only through what that does to our individual people, but what the money that is being generated in it is doing in more hardware—oriented security kinds of things around our part of the world and all of that sort of business.

So we are really talking about some real gut-issue matters that go beyond what the surface appearance would be.

NATIONAL GOALS

Mr. SABO. We are also a country that is mobile internally, dependent on our road systems. And we are also a country where internally our people do not live right next to where they work so that they are dependent on the transportation system.

Admiral GRACEY. Many of the cars Americans use come by sea.

Mr. SABO. Many of them come by sea but we are also a country concerned about the housing of our people and all of those things are things that are impacted, impacted very negatively in the budget that we are looking at.

Admiral GRACEY. The lumber that comes to build those houses, much of it floats down the river by barge or comes by ship. I do not mean to give you a hard time, sir, but it is an interesting discussion of priorities and I am trying to illustrate where we really get into the——

Mr. SABO. I basically do not quarrel with you. There are just lots of other activities of government that are very crucial both to the economic future of this country and I expect it is impacted by the

number of kids who can go to college today and he wants to reduce that. Well, we do not want to. The President's budget suggests it and those are the choices that we are going to have to deal with.

Admiral GRACEY. I understand.

Mr. SABO. Just one fundamental thing that I wanted to indicate is, that our beginning dilemma of how to get to $144 billion, forgetting about sequester, is going to be much more difficult than the President indicated in his budget message to us. It is not a framework, it is not a guideline. It severely misses the target and our job is to try and hit that target. And it is going to be much more difficult than the President suggested in his budget message.

Mr. LEHMAN. To coin a phrase there are no free lunches even in such essential services such as the Coast Guard, at this time, with the revenue base like it is.

Admiral GRACEY. I would hate to have it be left with anybody who reads the record, to think that the Coast Guard is suggesting it wants a free lunch. You know that our record shows quite the contrary.

Mr. LEHMAN. I was indicating that without the revenue you aren't going to have the services.

Admiral GRACEY. That is correct. User charges are the answer, I know, but——

Mr. SABO. Thank you Mr. Chairman.

Mr. COUGHLIN. Thank you, Mr. Chairman. Mr. Mrazek has indicated that he had another engagement and a 60 second statement that he would like to make and I would be happy to accommodate him, if the Chairman agrees.

Mr. LEHMAN. No problem.

EATON NECK COAST GUARD FACILITY

Mr. MRAZEK. Thank you, Mr. Chairman.

Please accept this statement, Admiral Gracey, in the form of an unsolicited testimonial. It does not relate to the overall budget challenges that we are facing this year. It is a little more parochial. Within the last couple of months, I had an opportunity to tour the Coast Guard facility at Eaton's Neck on the north shore of Long Island and I was very deeply impressed with the quality of the personnel at that station, the difficult job they are having meeting budgetary needs, particularly from the standpoint of maintenance and repair and yet, managing to do it with the same kinds of personal sacrifice that you discussed earlier, due to their commitment to the service.

And I would just put in one plug for a particular erosion problem that they are experiencing. I have lived in that town all of my life and I can remember camping there as a cub scout, and remembering that there was substantially more land next to that station then there is now. I also know that half of their baseball diamond, which lies due North of the station, is now at the bottom of Long Island Sound. However, I believe that there is a major reconstruction program under way to bulk head that area, and I wish to support it.

I, for one will work very hard to try to help you meet your budget needs this coming year, and again I want to compliment you on the work of your personnel.

Admiral GRACEY. Thank you.

Mr. MRAZEK. Thank you, Mr. Coughlin.

FY 1986 FUNDING LEVEL

Mr. LEHMAN. Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman.

I want to join in commending Admiral Gracey on his stewardship of the United States Coast Guard. It has been one that has been very commendable, indeed. We have enjoyed his appearances before this Subcommittee over the last few years; he has certainly done a splendid job.

Just for the record, I would want to say that not all of us on the Subcommittee agree with my dear friend and colleague, Mr. Sabo from Minnesota, in terms of the President's budget. We may not agree with every detail but at least the President has submitted a budget and it is a starting place. Obviously, the Congress and the President are going to have to work together to come up with the ultimate solution.

In response to a question from the Chairman, you suggested that the CR reduced your funding level.

As I look at your original 1986 request, and your projected obligations of $1.848 billion, you now indicate in your Fiscal Year 1987 justifications that your total Fiscal Year 1986 obligations prior to Gramm-Rudman-Hollings would be $1.848 billion. This is virtually identical to your original request.

So I am not quite sure how the CR reduced your funding level?

Admiral GRACEY. I will try to give you an overview and if you want more overview, I will ask Captain Williams or Admiral Thompson to get in.

In that $1.848 billion level you ultimately saw—there was money that had been put into DOD with specific labels on it—500 people on the law enforcement detachments and things of that sort which were not in our original proposal.

Meanwhile a pay raise was passed but not funded and there were a vast number of entitlements passed in the Defense Authorization Act, which thank heavens, accrued to Coast Guard people as well. They have to be paid.

And then there was, in fact, a reduction in operating expenses of $30 million below the figure this Committee came out with last year—and even your figure was lower than the President's budget. I cannot rattle off the numbers to explain it all off the top of my head, but there were some other things that were plugged in that made up the difference and we had to absorb them.

Mr. COUGHLIN. But your projected obligation level last year and your actual obligation level last year were almost identical, am I not correct, overall?

Admiral GRACEY. 1986?

Mr. COUGHLIN. I mean excluding Gramm-Rudman-Hollings.

Admiral GRACEY. Not the way I understand it.

Mr. COUGHLIN. There is still $1.848 billion, both what you projected last year, and——

Admiral GRACEY. Could I ask where you are looking, sir. It might help, if we were all looking at the same piece of paper.

Mr. COUGHLIN. We are looking at your budget justifications from last year, on page 21.

Admiral GRACEY. Oh, you are looking at last year's book?

Mr. COUGHLIN. Which projected for fiscal year 1986——

Admiral GRACEY. That is program level; that is correct.

Mr. COUGHLIN. Total obligations of $1.848 billion. And then if we look at your 1986 estimate, in the 1987 justifications, they are $1.848 billion.

Admiral GRACEY. Well, the book I am looking at has a figure comparable to the $1.848 billion, but it is program level. My book shows a 1987 estimate of $1.903 billion.

Mr. COUGHLIN. That is 1987. I am talking about 1986.

Admiral GRACEY. I know. What you are saying is, we finally got 1.848. Is that what you are suggesting?

Mr. COUGHLIN. I am comparing——

Admiral GRACEY. Our program level estimate for 1986 was 1.848. That is correct. But we actually got, in terms of financing and capability, budget authority of 1.627. That is budget authority.

Mr. COUGHLIN. But your obligation level in 1986 was 1.848 billion which is the same as you projected.

Admiral GRACEY. Well, we have not been through 1986 yet.

Mr. COUGHLIN. Correct.

Admiral GRACEY. I think I need to let Captain Williams explain the difference between program level and budget authority. Since we have to deal in budget authority. Do you want to try to do that?

Captain WILLIAMS. What you are suggesting, sir, is we are saying in this FY 1987 budget that we are going to obligate in FY 1986 the same amount that we proposed we were going to obligate for FY 1986 in last year's budget. And since we are, we got all the money we asked for in FY 1986.

Mr. COUGHLIN. I am saying that CR—I am not sure how I see the CR as having cut your——

Captain WILLIAMS. Well, the CR did a couple things to us. I think that first off, yes, we have about the same level of money to spend, but we have got some other things to pay for that were not in the original budget request of last year. There was not a military pay raise in the budget last year. That is costing us $30 million. That is $30 million of things that we planned to do last year, that we cannot do this year because we have to pay our people their entitlements.

In addition, we also had plans in last year's budget to close stations in the Great Lakes. They were restored by the Congress and we had to buy some of that back.

There was also a proposed civilian pay decrease last year; the President proposed a 5 percent decrease that did not happen.

And so consequently, all of those add to our requirements, but there is no more money to pay for them.

Mr. COUGHLIN. And have you asked for a pay raise supplemental?

Admiral GRACEY. For fiscal year 1986? No, sir.

Mr. PURSELL. Would you call that an internal reprogramming of some sort?

Captain WILLIAMS. Yes, sir.

Admiral GRACEY. Well, yes.

Mr. PURSELL. Prioritizing.

Admiral GRACEY. We absorbed it. I will be happy to provide for the record a list of the kinds of things that we have absorbed over the years, but it runs into the hundreds of millions of dollars, of things that we have been directed to do but were never funded. The AEROSTAT's; get the AEROSTAT's and operate them, but no money for it. That is just one that pops into my head.

SUPPLEMENTAL FUNDING FOR CHALLENGER

Mr. COUGHLIN. Let me follow up, again, in terms of supplementals. Mr. Conte brought up the question of the Challenger, and the costs that you were incurring as a result of that, which certainly were unanticipated. Do you expect to make a budget request for a supplemental for that?

Admiral GRACEY. No, sir. We may or may not have that reimbursed by NASA. Some of it would be—we are always reimbursed for the initial prelaunch and immediate postlaunch security operations. The rest of it is part of our mission of assistance to other agencies, so we probably would not ask for that.

These kinds of contingencies come up all the time. With all those floods on the West Coast, we had a lot of people out doing things to help the community, and we do not ask to be reimbursed for that. We expect to do things of that sort every year somewhere.

One of the reasons why we hate to get too close to the bone is because we do not have the ability to absorb such emergencies. I am sure there will be no request for additional funds to cover the cost of the Challenger operation.

FISCAL YEAR 1986 OPERATION/PERSONNEL CUTBACKS

Mr. COUGHLIN. Now going back again, to the Chairman's initial questions, and the list of things that you had given, that you would have to cut back as a result of a reduction in your funding, I take it you have not cut any icebreakers at this time? You indicated you might have to cut them, three of the five?

Admiral GRACEY. We have not cut anything yet, sir.

Mr. COUGHLIN. And you are operating the 270-foot cutters that have been delivered?

Admiral GRACEY. Yes, sir.

Mr. COUGHLIN. And you have not laid up any aircraft, or ships, or buoy tenders?

Admiral GRACEY. No, sir. As a matter of fact, we have had one of the biggest scale drug operations in history down in the Caribbean for the last three months.

Mr. COUGHLIN. And you have not released any civilian or military employees at this time?

Admiral GRACEY. No, but we have drawn down on recruiting, and we know what the size of our force is going to have to be at the end of this year, and so we are drawing down to that. We are going to have to allow people to leave early pretty soon.

USER FEES

Mr. COUGHLIN. Just again, following up on a question of user fees raised by Mr. Conte, you indicated that not all boat owners require the opening of a drawbridge. I guess even the small boat owners, however, do use the aids in navigation at Barnagut Bay or elsewhere. I suspect there are even smaller boat owners that—would that be correct?

Admiral GRACEY. Yes. The point I was trying to make with Mr. Conte was that he was unhappy about the larger boat owners not paying, but there are an awful lot of recreational boat owners who are really not rich people with yachts, but small boat owners.

Mr. COUGHLIN. Do you support the user fee proposal?

Admiral GRACEY. Absolutely; strongly.

Mr. COUGHLIN. Mr. Chairman, I have other questions that I will ask as we go along. Thank you.

Mr. LEHMAN. Mr. Pursell.

Mr. PURSELL. Thank you, Mr. Chairman. Just following up on Larry's question. What would the user fee bill produce in revenue?

Admiral GRACEY. I am sorry, sir?

Mr. PURSELL. How much revenue?

Admiral GRACEY. It would be $238 million the first year, and about $476 million the second. That would be in 1988.

Mr. PURSELL. Thank you. I, too, want to congratulate you on your outstanding leadership of the Coast Guard programs. I know that you are probably thinking without saying it, that maybe this is the time to retire, with Gramm-Rudman, but——

Admiral GRACEY. No, sir. That is the time I want to stay the most.

COAST GUARD ACTIVITIES—EUROPE

Mr. PURSELL. But aside from that, you have been a fighter for your program and I respect that a great deal. I have visited Coast Guard posts, uninvited, just stopping in to say hello and pay my respects. I agree with the other members of the committee who feel that you have been an outstanding branch of service to the country.

The State Department commented to me that you had a major London office. Could you tell us a little bit about that.

Admiral GRACEY. Yes, sir. We call it Coast Guard Activities—Europe, and it is a command in London. It is headed by a Captain and his duty is to oversee, to have command responsibility for the Coast Guard—as the name implies—activities in Europe, the LORAN stations and miscellaneous other kinds of programs.

He also has a responsibility to a command called CINCUSNAVEUR which is the Commander in Chief for U.S. Navy Activities in Europe. He works directly with him. He is responsible for support of our activities, for liaison with the foreign nations that are working with us in the LORAN program.

He works as liaison with the International Maritime Organization and a number of other kinds of agencies like that, that are located in London.

Mr. PURSELL. What is the LORAN program?

LORAN STATIONS

Admiral GRACEY. LORAN stands for Long Range Aids To Navigation. It is LORAN–C, actually, and it is a high precision radio navigation program which is, until replaced in the 1990's by a satellite navigation system, fundamental to defense needs and military needs, and to commercial ship operators.

It is essentially in that part of the world "the" long range navigation system. We operate some stations under NATO, we, the Coast Guard. We oversee and supervise some stations that are actually manned by foreign nationals, but there are stations in Iceland, Norway, Italy, Turkey, all over the place.

Mr. PURSELL. How many stations outside the continental United States do we have like that in Europe or Asia, or wherever?

Admiral GRACEY. I will give you the number for the record, sir. I cannot remember. But in Europe, we have six that we operate with our own people, Iceland, Germany, two places in Italy, Spain, Turkey. And then there are a number of host-nation-operated stations that we operate. These all mesh together. The signal from one ties in with the signal from another. So it is a net.

The captain's function is to see that the LORAN program and others go forward and that his people are supported.

ACTIVITIES EUROPE STAFFING

Mr. PURSELL. How many staff do we have in the London office? What is the total budget and staffing?

Admiral GRACEY. The budget is on the order of magnitude of what? A million dollars? I will give you the precise figure for the record, sir, and, the staff is in ten's; twenty, twenty-five.

Mr. PURSELL. Twenty-five, total?

Admiral GRACEY. Yes, sir; ball park.

Mr. PURSELL. How many officers and how many enlisted men?

Admiral GRACEY. Oh, I would guess, having sat down with all of them at a conference when I was there in November, and let's see, I would guess maybe there are 14 officers, and 15 enlisted, and 5 foreign Nationals working there.

Mr. PURSELL. Fourteen officers and fifteen enlisted men?

Admiral GRACEY. That is in that office. That is not including the LORAN stations. Each LORAN station has one officer, and twenty-five or thirty enlisted men.

Mr. PURSELL. Why would we have 14 officers and only 15 enlisted men?

Admiral GRACEY. Well, because it is a support staff, sir, and they are doing engineering work; they are doing work with foreign governments.

The enlisted personnel are located there are essentially in clerical or specialized technical work that relates to what is going on at the LORAN station.

But the officers are doing officer kind of work. You have a Captain who is the commanding officer, and he is the liaison with the Navy Command there, and in Naples. He is also a liaison with the British Coast Guard, and the services like that of all the countries in Europe.

He deals with the Marine safety people of all the countries of Europe. The International Maritime Organization is a branch of the United Nations, which is located in London, and we have people going over to that all the time.

He paves their way, acts as a liaison for that. It is a very significant position and it is one in which he is my personal representative in Europe.

INTERNATIONAL MISSION POLICY

Mr. PURSELL. What is our authority for that meshing over there with LORAN? Is that United Nations' policy, or is that under current U.S. law that we have outlined as a priority?

Admiral GRACEY. Oh, it has been a priority program for a lot of years, sir. For a long time it was the basis on which transoceanic aircraft flew, and ships sailed. The Navy relied on it very heavily for many of its operations, and NATO did, and most of the European countries.

Mr. PURSELL. Well, what is our authority? Is it in writing? Is it in current law? Is it a policy?

Admiral GRACEY. Well, none of those stations——

Mr. PURSELL. Is it in the history of the Coast Guard that it is a major priority? I am not arguing that it should not be a priority. I am trying to evaluate the priorities that you have had and how, they relate to the budget squeeze.

Admiral GRACEY. I understand where you are going, sir.

Mr. PURSELL. What is our authority for that international mission? I guess that is the question I want to ask.

Admiral GRACEY. Well, I cannot cite the authority. I can tell you that none of those stations would have been built if they had not been authorized by the United States Congress, and with the funds appropriated.

I can tell you that many of the programs we are involved in are the implementation of laws—marine safety laws, the navigation laws, international cooperation laws.

The Department of Defense is a large part of this, and we are the aids to navigation doer for the Department of Defense.

We do not get all our money through them. I keep talking about our being a part of the security picture, and that one part of it is ours, the international navigation, and it also goes for commercial navigation, private, whatever. We are, incidentally, looking at contracting out the operation of those stations; not the oversight; not the management; not the basic operational decisions; but we are going to review that as part of the A–76 program.

Not the London office, but the individual stations. And incidentally, those are not just in Europe; they are all around the world.

[Additional information provided for the record follows:]

14 U.S.C. 81 states that the Coast Guard may establish, maintain, and operate electronic aids to navigation systems required to serve the military needs of the armed forces of the United States. This is the statutory basis for the Loran-C system in Europe.

Further, 14 U.S.C. 142 provides that the Coast Guard may exchange information, through the Department of State, with foreign governments on all matters dealing with the safety of life and property at sea. The Commandant is chairman of the U.S. Safety of Life at Sea subcommittee of the Department of State Shipping Coordination Committee. As such, he is responsible for coordinating and providing all U.S. input to the International Maritime Organization. Obviously, his representatives in London are geographically closer to these foreign governments than he, and their assistance in helping the Commandant carry out his role as chairman is invaluable.

There is no statutory authority for directly linking this responsibility with the Loran function. It is simply a matter of cost effectively utilizing the people in London already performing their other statutory duties.

14 U.S.C. 1 states that the Coast Guard is a military service and a branch of the Armed Forces of the United States at all times. Additionally, 14 U.S.C. 2 requires that the Coast Guard, among its many primary duties, "...shall develop, establish, maintain, and operate, with due regard to the requirements of national defense, aids to maritime navigation,...; and shall maintain a state of readiness to function as a specialized service in the Navy in time of war."

ACTIVITIES EUROPE FUNDING

Mr. PURSELL. If we close the London office or transfer those funds back into U.S. Coast Guard programs, internal reprogramming, what impact would that have, or what severe loss would that have to the international scene?

Admiral GRACEY. Well, I can think of two basic impacts. In terms of money it will cost $50,000 more, plus or minus a hundred thousand, to do things——

Mr. PURSELL. That budget over there is what, a million dollars in London?

Admiral GRACEY. Well, I need to check that, sir. I cannot remember the exact figure. Let us find the number. But it would cost more to do it from here, because you would have the travel involved.

But the principal problem, one which I think would be unconscionable to allow sir, is to remove from the scene a commanding officer of military personnel, and to try to tell people that they have got to live in little podunk communities—and I mean little podunk communities—scattered around Europe, with no parent command to look out for their interests, to see that they get paid and that their people get proper medical treatment—all of those kinds of things—plus the actual operation of the unit. The job has got to be done somewhere, and it just makes no sense, at all, to have, for the minimal price we are paying for that operation, and, the good that the United States gets out of that liaison, not to mention what the troops get from having a commanding officer there. I think it would be unconscionable to close that office.

I know there is a group from here that was over there, and I understood there was a perception that it was a ceremonial office because the commanding officer was at a change of command over ceremony.

That is part of his military duties, believe it or not. If you are a military commander, you do go to military ceremonies, but that does not mean it is a ceremonial office, by any means.

Mr. PURSELL. I was just trying to get clear—you know—in all honesty, of what our mission is in that international scene. The Defense Department is there and we appropriate lots of money for other worldwide activities. In light of your change of mission into the drug interdiction area, and other more national security issues that you have gotten into in recent years, I just think we have to consider our tight budget. That office does not show up in the budget. I went through this budget and it does not show up.

Admiral GRACEY. No, it would not show up because there are no changes. This is not a zero-based budget; it is an incremental budget.

OVERSEAS OPERATIONS

Mr. PURSELL. Well, tell me how many personnel we have overseas.

Admiral GRACEY. Overseas?

Mr. PURSELL. Outside the continental United States. How many bases? How many posts? What is their budget? What is their personnel?

Admiral GRACEY. I will provide that for the record, sir.

Mr. PURSELL. Basically three questions on the budget: personnel, location, and the operations.

Admiral GRACEY. You are scaring me to death, Mr. Pursell, because I think I hear you saying that you think the Coast Guard ought to stay in the continental United States and guard the coast.

Mr. PURSELL. I have not made any decisions. I am just trying to ask some questions, so when we are looking at Gramm-Rudman budget constraints, do we need to go worldwide? I do not know. I am just asking some questions. How many dollars do we spend over there? What is our personnel overseas? How many officers? What is our mission in terms of authority, and by law? Has this been a historical development through the Coast Guard?

I do not see it listed in the budget. I do not see a map in the budget here, where it shows where our bases are. So this budget that I get here, to me, is not complete.

So I am just asking honest questions. I have not made any decisions.

As you remember, we offered an amendment last year, and we agreed with Sil Conte and others to raise some questions this year. So this is not new, I hope, to you or the staff. At least I should not think so.

Admiral GRACEY. No, it is not.

Mr. PURSELL. I am just being fair about it. I said okay, I would back off and have some discussion this year. So that is all I am trying to do, here, Admiral.

Admiral GRACEY. I understand that, Mr. Pursell. I hope you will forgive me for reacting with alarm, but I thought I heard you suggesting, by the kinds of questions you were asking—rather than just dealing with the London office—I thought I heard you suggesting, or, I am reading into the questions you are asking, that perhaps this committee will make some judgments that the Coast Guard should pull back from all its overseas assignments.

And I want to be sure the committee understands, really, the major role the Coast Guard is playing on the international scene. The opportunity for this country to be present in places, where they will not be with the other armed services, because, you know, we are not a military threat to anybody. We go in with a big white ship with a big red stripe on it, and we are life savers and law enforcers.

There are some rather significant programs going all through western Africa and Europe, and Asia, south Asia, and of course, Latin America, where the Coast Guard really has the lead.

Mr. PURSELL. Well, that is all I was asking: What is our mission overseas and what is the composition of the budget for the overseas mission? And by what authority do we have it? It seems to me it has to be evaluated in a context with all your new recent missions. What has happened is that we have had a fantastic growth of the federal government in recent years and that is why we have Gramm-Rudman and that is why some members say we need more revenue.

And now we come in and say, well, we are getting new missions. We sort of are—you know—saying, all right, we have got to have more money to do your Coast Guard responsibilities, which I am

willing to do; but I think we have to look at sort of a zero budget in principle and go back and review all our budgets in open honesty. That is all I want to do.

Admiral GRACEY. My concern, Mr. Pursell, is that if you look at it in just numbers, the story will not be told, because, for example, if we give you the LORAN figures today, you will say, my goodness, that is a lot.

But it will not show the numbers of stations that have been reduced as we have gotten improvements in the system.

I will tell you about a raft of programs, but I am not going to show you very many people in them because the work is done by liaison and by travel from the United States; but the involvement is there. You will not find a great number of bases; you will not find great volumes of people. On the other hand, you will find some places where that money is being spent, and if you just look at the numbers and do not look at what the real meat of it is, and do not look at the changes that have been made over the last several years—and they are downward changes, not upward changes, then you may draw some improper conclusions.

OVERSEAS PERSONNEL LOCATIONS

Mr. PURSELL. Well, would you supply that for the committee? Would you give us a fairly specific overview of what the overseas programs involved are, and the personnel and locations?

Admiral GRACEY. Yes, sir, of course.

Mr. PURSELL. And overall costs:

[The information follows:]

The following table displays the units, locations, personnel strength and mission of Coast Guardsmen stationed outside the states of the United States. (Due to limited time available, individual unit budgets are not included. However, the total operating budget for these units is $23,800,000, exclusive of military pay.)

Unit	Location	Personnel (U.S. Citizens)	Mission
Greater Antilles Section Office	San Juan, Puerto Rico	28	command
Law Enforcement Detachment	San Juan, Puerto Rico	7	ELT
Base San Juan	San Juan, Puerto Rico	91	SAR/SRA/ELT Indust Supt
Marine Safety Office	San Juan, Puerto Rico	24	CVS/MER
CGC SAGEBRUSH	San Juan, Puerto Rico	52	SRA/ELT/SAR/DO
CGC POINT WARDE	San Juan, Puerto Rico	10	SAR/ELT/DO
Communication Station	San Juan, Puerto Rico	24	communications
Aids to Navigation Team	San Juan, Puerto Rico	5	SRA
Recruiting Office	San Juan, Puerto Rico	4	recruiting
Marine Safety Detachment	Port Ponce, Puerto Rico	5	CVS/MER
Consultant (IMO/USAID)	Santurce, Puerto Rico	1	Advisor
Point Tuna Light Station	Manuabo, Puerto Rico	3	SRA
Air Station Borinquen	Borinquen, Puerto Rico	161	SAR/ELT/MER/DO
CGC POINT WHITEHORN	St. Thomas, Virgin Islands	10	SAR/ELT/DO
Marine Safety Detachment	St. Croix, Virgin Islands	5	CVS/MER
Fleet Training Group	Guantanamo Bay, Cuba	19	readiness training
Technical Assistance Field Team	Antigua	2	security assistance
Technical Assistance Field Team	Grenada	3	security assistance

Technical Assistance Field Team	St. Christopher-Nevis	4	security assistance
Liaison, US Embassy	Port au Prince, Haiti	1	Haitian Migration Interdiction Operation
Liaison, Military Group	Panama	1	security assistance
Panama Canal Commission	Panama	1	advisor
Liaison, US SOUTHCOM	Panama	1	security assistance
Liaison	Costa Rica	1	security assistance
Liaison	Jamaica	1	security assistance
Liaison	Bridgetown, Barbados	1	security assistance
Activities Europe	London, England	30	command
Loran-C Station	Keflavik, Iceland	2	radio navigation
Loran-C Station	Estartit, Spain	20	radio navigation
Loran-C Station	Lampedusa, Italy	24	radio navigation
Loran-C Station	Sellia Marina, Italy	25	radio navigation
Loran-C Station	Sylt, Germany	12	radio navigation
Loran-C Station	Kargaburum, Turkey	20	radio navigation
Liaison, Logistics	Naples, Italy	4	electronics support
Liaison, USEURCOM	Germany	1	security assistance
Liaison	Monrovia, Liberia	1	security assistance

Marianas Section	Guam	29	command/CVS/MER
CGC BASSWOOD	Guam	56	SRA/ELT/SAR/DO
CGC CAPE GEORGE	Guam	14	SAR/ELT/DO
Communication Station	Guam	29	communications
Liaison	Pago Pago, American Samoa	1	advisor
Liaison	Philippines	1	security assistance
Far Eastern Section	Tokyo, Japan	20	command/CVS/MER
Loran-C Station	Gesashi, Okinawa	18	radio navigation
Loran-C Station	Hokkaido, Japan	20	radio navigation
Loran-C Station	Iwo Jima, Japan	26	radio navigation
Loran-C Station	Yap Caroline Island	19	radio navigation
Loran-C Station	Marcus, Island	24	radio navigation

PRIVATE SECTOR TOWING INDUSTRY

Mr. PURSELL. The Grace Commission found that there is a viable private-sector towing industry that is sufficiently extensive and equipped to handle most of the non-life-threatening situations. The Commission's Task Force on Privatization recommends:

"The Coast Guard should utilize the private sector towing industry in its SAR operations, specifically the non-life-threatening incidents. These appear to be at least 50 percent of the SAR case load."

Do you agree?

[The information follows:]

I disagree with the 50 percent figure. The percentage of Coast Guard SAR cases which fall under the non-emergency assistance policy is less than 25 percent. However, a majority of these non-emergency cases (hoaxes, personnel-only, land-only, false alarms, etc.,) have no application or financial benefit to a marine commercial firm. Moreover, when considering the number of firms available and qualified to participate, and issues in the policy such as the need to maintain professional competency, cases in darkness, questionable or value judgment cases, etc., the marine cases available for referral to commercial firms is not significant. In FY 1985 private firms handled only three percent of the total cases. However, the Coast Guard is fully committed to implementing the policy and refers calls for non-emergency assistance to qualified commercial operators whenever possible.

PRIVATIZING THE COAST GUARD

Mr. PURSELL. The Coast Guard has had difficulty carrying out its increasing responsibilities within the resources provided by Congress. Do you agree we could help solve this problem by privatizing many Coast Guard services?

[The information follows:]

Privatizing too "many" Coast Guard services could actually be harmful to national security and safety. The answer to the privatization question lies in providing a proper balance. There are services the Coast Guard must provide or can provide more cost effectively because of its multi-mission character. There are, too, services the private sector can provide at less cost. The caveat must be however, that pursuing the latter must not have a negative impact on the Coast Guard's major responsibilities and its capabilities to meet our obligations at minimal cost and to foster complementary capability for contingencies. We continue to seek opportunities, while preserving a proper balance.

GREAT LAKES STATIONS

Mr. PURSELL. Last year there was much discussion regarding the 13 Coast Guard search and rescue stations on the Great Lakes (Great Lakes Consolidation Plan).

I understand everything is status quo. Does the $5 million restored in the House bill guarantee anything?

How does the Gramm-Rudman effect these stations? What is the outlook of these stations? Is the Great Lakes Stations Consolidation Plan still a possibility or would you revise your priorities?

[The information follows:]

Congress provided funding to keep Great Lakes SAR Stations open during FY-1986. There is no proposed action in the FY-1987 budget to close any Great Lakes Stations. If a Gramm-Rudman adjustment is required, all Coast Guard facilities and functions throughout the country will of course be reviewed for potential reduction, including the Great Lakes SAR Stations. This review will not be restricted to any single geographic area.

Mr. PURSELL. Thank you, Mr. Chairman.

Mr. LEHMAN. Thank you, Mr. Pursell.

Admiral GRACEY. Just quickly, the Loran Mission, by the way, goes right back to World War II. It is not something that has just come on the scene. It has been around for a long, long time.

Mr. PURSELL. I understand it is an old mission.

Thank you.

Mr. LEHMAN. Mr. Wolf.

Mr. WOLF. Thank you, Mr. Chairman.

I want to welcome you here and I guess as every other member has said, we appreciate the job that you do. You probably have the easiest time testifying up here, because everybody loves the Coast Guard.

I did not vote for Gramm-Rudman-Hollings. I saw that newspaper column George Will wrote after the vote where he said he was not sure that the soldiers at Valley Forge, and I come from Philadelphia, shivered throughout that winter to have an official at OMB make the decisions about how we order our priorities.

I do have a couple of questions, but I want to make sure that there is not any antagonism. I really admire the Coast Guard people. I think that you have bone a first class job.

Admiral GRACEY. Thank you.

TAX REFORM BILL

Mr. WOLF. A couple of quick questions that if you cannot answer I would like them for the record.

One, in the tax reform bill that passed this Congress in the House, there is a provision with the fingerprints of both the Democrats and the Republicans on it. It was a Republican recommendation from Treasury and a Democratic House passed it, so either there is no blame, or both sides are at fault.

There is a provision in the tax reform bill which would prorate taxation of federal employee annuities.

I have just left a Treasury Appropriations hearing where they told me they have been having a terrible time with regard to people who are eligible to retire as a result of this. Many would lose $10,000 to $25,000. Roscoe Edwards, last Thursday, acknowledged that IRS is losing a lot of their top people. I read in your testimony that you have 5,527 civilian personnel.

Have you sensed any concern on their part? Is there a concern that you are going to lose some of your best people who retire because of this ill-conceived provision, which quite frankly, does not bring in any additional revenue?

Admiral GRACEY. I think, if I might, Mr. Wolf, I will ask the Chief of Staff, Admiral Thompson, because he is the Commanding Officer for our Coast Guard Headquarters Staff where a number of these people would be, and he would have day to day contact with a lot of them.

I, personally have not had any direct contact on it, but I understand that we have.

Admiral THOMPSON. They have expressed concern, Mr. Wolf, very similar and very typical of the concern of all the Federal employees about that aspect of the compensation.

I could not describe it as being any more concern or any less concern. They feel that they are in a barrel.

Mr. WOLF. How many of your civilian employees are eligible for retirement today?

Admiral THOMPSON. I do not have the number with me but I could provide it for you.

Mr. WOLF. Could you provide it for the record?

We are finding that FBI and other agencies like the IRS up to 50 percent are eligible for retirement, particularly in the upper grades.

And we are finding that literally they are going to bail out if this stays in, so that I would like the record to show how many civilian employees you have and secondly that there is a concern. And I think that I am not going to ask you to poll your employees, but to try to get some sense as to whether or not this is an issue that they are concerned about.

I think, that clearly, I have not talked to any agency that was not deeply, deeply concerned.

[The information follows:]

At the end of February 1986, Coast Guard had 5437 full-time permanent civilian employees on the rolls. Of these, approximately 530 (10 percent) were eligible for retirement. Of the very small Senior Executive Service Corps, four incumbents of the five filled positions are eligible. Of the forty-five GS/M-15 employees, approximately twenty-five percent are eligible for immediate retirement.

An informal survey of both Headquarters and field managers conducted the first part of February indicated that a substantial number of managers and employees eligible for retirement have stated they will move up their retirement dates in order to avoid being adversely impacted by the provision in the tax reform bill which would prorate taxation of their annuities. Employees have expressed general concern about all the current proposed changes to the civil service retirement system; however, the proposed tax change appears to be the issue which would have the most immediate effect on the career plans of Coast Guard civilian personnel.

MILITARY PAY RAISE

Mr. WOLF. Secondly under the budget, do you get a 4 percent pay raise, or a 3 percent?

Admiral GRACEY. Three percent.

Mr. WOLF. Why? The military gets 4 percent.

Admiral GRACEY. Well, then I said wrong. When you say the military we are a part of the military too.

Mr. WOLF. So you are getting 4 percent.

Admiral GRACEY. You mean the other military, I assume?

Mr. WOLF. Yes.

Do you think that there should be an equal case for the civilian and military people who work side by side?

In offices where you have civilian and Coast Guard military working side by side, would there not be the justification that both should get 4 percent?

Admiral GRACEY. I think that civilian and military personnel working for the government should be paid equitably. There are a lot of factors that come into that. For a long time, the civilian personnel were paid more than military personnel.

I do not know what the balance is today. I think it should be equitable whatever it is, but I do not think that you can necessarily say that one percentage goes along with another. I think it has to be a judgment on the part of administration people who look at it,

the Office of Personnel Management and those kinds of people, who look at overall impacts on personnel and what those rates are.

PAY RATES OF MILITARY AND CIVILIAN EMPLOYEES

Mr. WOLF. But they are just decimating—they do not even understand the process. That is why I made the point about shivering at Valley Forge to allow a guy at OMB to make this decision.

I am not so sure that that is really appropriate. An as a commander and a leader of individuals, do you not think that equity dictates that if they are both in the same office—they should be treated equally? Do you pay into your retirement?

Admiral GRACEY. No, sir.

Mr. WOLF. Well, a Federal employee does and I think that you balance everything out. What I am trying to get you to say, Admiral, is that there is some merit of paying both the same.

Admiral GRACEY. Well, you cannot get me to say that exactly in those words, sir.

Mr. WOLF. But do you think, from a morale point of view, if both are working side by side, at the desk, both use the same coat rack that both ought to be treated the same?

Admiral GRACEY. Well, just to illustrate the problem. I said, equitably. I said they should be paid equitably.

But if they are working side by side in the same office, on the same machinery, the difference is that the one wearing the blue suit may be in the middle of the Atlantic Ocean tomorrow afternoon, may be on a rock in Alaska. He or she is going to go anywhere, any time, he is going to uproot his family and he has got no choice.

Mr. WOLF. Admiral Gracey, I completely agree but I will tell you that if you talk to DEA they will tell you that their people, who are civilian people can be in the jungles of South America. We had an agent who was killed by the people who are connected with the Mexican Government.

You have FBI agents who can be uprooted at any moment.

Admiral GRACEY. Sir, that is not my point. My point is, of course, there are civilians. We have civilians all over the place too. I do not want to get into a military versus civilian battle.

All I am trying to do is to illustrate that you cannot just say they have got to be absolutely equal, because there are different conditions that apply.

One of the differences is that the civilian who gets ordered to the jungle, can say, I do not want to go to the jungle. I quit. The military person cannot say that.

Mr. WOLF. But that is not accurate. There are many civilians who have gone and given their lives and they do not say—an FBI agent does not come in and say to Judge Webster, Judge I am not going to go down there. That just does not happen.

So, I think hypothetically it may be possible, but it really does not happen.

Admiral GRACEY. If I can finish the whole thing, I might be able to give you the whole picture. The point is that the FBI agent, the CIA agent, the personnel clerk can say, I will not go and nobody is going to send him to jail, nobody is going to lock him up; but if he

or she is wearing a military uniform, he is going to go or he is going to go to jail.

Now, I do not want to belabor that because I really did not mean to get in that deep, but the point I wanted to make is that you get into retirement and you ask if we contribute?

Well, that has been studied ad nausem and to take a look at the comparability——

Mr. WOLF. With all due respect, the subject is that two individuals are working side by side, and I will tell you that if you are an FBI agent and you sign up for a tour of duty, you cannot say I am going to get out of here. You sign on for that tour of duty and that is your obligation and you go. And frankly they go and they do a first class job. And the DEA people that you are working with are on the same basis.

I can understand you are reluctant to be bold and forthright and say they ought to be paid the same. I think they ought to be and I think you are ducking the issue right there.

The next question——

Admiral GRACEY. Please let me at least make a quick try.

I am sorry you think that I am ducking the issue. I was not really meaning to do so. I said right at the outset, I believe they should be paid equitably. You want me to say that they should be paid precisely the same and I do not think that is so.

I think that you have to look at all things. If one gets a pay raise and the other does not, it is going to affect morale, no question about it.

Mr. WOLF. Okay, that is what I wanted to hear you say.

Admiral GRACEY. Absolutely, I agree with you on that. I am just saying that I cannot say "equal."

Thank you for allowing me that.

COST OF LIVING ADJUSTMENT

Mr. WOLF. Sure, I appreciate it.

Retirement—you have a provision in here, where you are not expecting for Coast Guard retirees to get a cost-of-living adjustment this year in Fiscal Year 1987?

Admiral GRACEY. That is right. It was a mention of civilian retirees, but it applies to military as well.

Mr. WOLF. I do not mean to cause you a problem on this, but I represent these people and I am going to represent them well.

Admiral GRACEY. We both have our constituents, I agree.

Mr. WOLF. Do you think that from an equitable point of view, you can make the case that a retired Coast Guard or a military retiree, should get a cost-of-living adjustment, if the millionaire who owns a boat at Boca Raton who is retired and getting Social Security is getting his 3.1 cost-of-living adjustment and maybe using it for bait and tackle so that he can go out and fish? Do you think that there is a justification equitably that the retired military Coast Guard person and/or his widow should get a cost-of-living adjustment if the Social Security recipient gets it?

Admiral GRACEY. Do you want a yes or no answer to that, sir? [Laughter.]

Mr. WOLF. Would you just say that there is some merit to it?

Admiral GRACEY. I would say that I think the retirees, both civilian and military, should get regular cost-of-living adjustments.

And if the same applies in the private sector, it should apply in the public sector. If cost of living adjustment is not continued, not just for one or two shots, but on a long-range basis, if it were to become something that was not continual, I think it would be looked upon by both military and civilian personnel who are active today as an act of bad faith. We would lose some people because of it.

Mr. WOLF. That is what I am concerned about and your people pay a tremendous price. One of the reasons that I have the greatest respect for you and for the Coast Guard and for the military, is the time that your people spend away from their families, not only the individual price that they pay, but the price that their husbands and wives pay and even more importantly, the price that their children pay. When your people are out down there in the Mediterranean or down there in the Caribbean, they are away and they are missing the soccer games and the Little League games and the graduations. I want to make a point that there ought to be an equitable balance there.

Have all of these things that have come along had an impact with regard to the recruiting of the Coast Guard?

Admiral GRACEY. No, sir, not yet.

We have had things impact on the recruiting, and it is a little hard to tell.

DRUG INTERDICTION EFFECTIVENESS

Mr. WOLF. Mr. Chairman, I do not want to take too much time, but I have a few questions.

What percentage of the drugs that are coming in, do you think you and Customs are catching?

Admiral GRACEY. Well, there is no way to tell that. I can give you a long dissertation on why that is a problem, but as I have said, facetiously, before, they do not send us an invoice. We really do not know how much is being shipped. To find out what it is, you would have to make an assessment of crops and amount harvested and where it went in every single source country.

But the one thing that we do know is that we are having an impact. We really are.

Mr. WOLF. Do you think that the U.S. Attorney and the Justice Department are aggressively pursuing and prosecuting those that are caught?

Admiral GRACEY. Oh, yes.

Mr. WOLF. Have the penalties gone up or gone down?

Admiral GRACEY. I do not know that I can say that definitively, but my impression is that the penalties are tougher.

Mr. WOLF. Could you see if maybe somebody could look at that for the record?

Admiral GRACEY. Yes, I will get it for you.

Mr. WOLF. That would be appreciated.

[The information follows:].

The Coast Guard does not maintain statistics pertaining to penalties. Also, the Drug Enforcement Administration does not separate their conviction and sentencing

statistics into categories which would identify maritime traffickers. However, according to the Drug Enforcement Administration, the average sentence for Federal drug-related offenses has gone up. In fiscal year 1983, for example, the average sentence for cocaine offenses, including trafficking, was 51 months. In fiscal year 1985, that average rose to 56 months. For marijuana, the average sentence was 42 months in fiscal year 83 and 46 months in fiscal year 85.

These figures are based on a population of between 7,000 and 9,000 convictions which resulted in prison sentences. Therefore, an increase of a few months in the average indicates a significant number of sentences much greater than the fiscal year 1983 average were handed down in fiscal year 1985.

CONFISCATED BOATS

Mr. WOLF. What percentage of the boats confiscated are being sold off and what percentage go back to the owners?

Admiral GRACEY. The boats of ours?

Mr. WOLF. No. The boats that you find that are carrying drugs, what percentage go back——

Admiral GRACEY. That goes over to the Customs agents. We do not do that. We turn our seizures over to Customs and I do not know the number.

But again, I can find that out for the record.

Mr. WOLF. Okay, if you will.

[The information follows:]

By a Memorandum of Agreement with the Customs Service, the Coast Guard turns its seized vessels over to the Customs Service for storage and disposition. The Coast Guard does not maintain disposal statistics but has been told that the Customs Service attempts to apply forfeiture procedures on all U.S. registered vessels seized with substantial quantities of narcotics aboard. Of these, less than 5 percent are returned to their owners. Of the foreign vessels, if they were allowed to be seized for violation of U.S. law and the flag country relinquishes claim to the vessel, they are subject to forfeiture proceedings. Of those required to be returned to the flag country, most are not returned to their owners. They are either placed in government service or sold at auction.

ILLEGAL IMMIGRANTS—HAITI

Mr. WOLF. One or two more questions.

With regard to the concern of incoming Haitians, has that problem gotten better or worse since Baby Doc has left the country?

Have you seen an appreciable difference with regard to the Haitians leaving?

Admiral GRACEY. Well, there was a while when we thought that the problem might be that we would be faced with a flood going in the other direction. There was all kinds of talk about that.

I am not aware of any significant change. There has not been a big influx of people, more people coming out. A lot of it depends on what goes on in the Bahamas, of course. There are a lot of people there. And I would guess it will take some of the pressure off of people wanting to come from the Bahamas to the U.S.

Haiti is not out of the woods by any means, but no, the answer to your question is, no. We have not seen a change one way or the other significantly.

Mr. WOLF. Could you, you do not even have to do it for the record, just have somebody call me in a month or so and let me know if you can chart out from today through April, comparing it to maybe the same period of time, in 1985, so that we can see if there has been any appreciable change?

Admiral GRACEY. You mean detection of illegal immigrants from Haiti?

Mr. WOLF. Yes, coming into the country. I thought that perhaps with the overthrow of the Baby Doc regime, that many said that they were going to go back and they were going to stay. Is that really a factor?

Admiral GRACEY. I would guess a lot of it is people waiting to see what is going to happen. Of course it is the middle of the winter too, and the weather is not good for that sort of thing. So it is a little hard to tell.

The reason we take them back is that they are not dissenters in the sense of political asylum seekers, they are economic migrants and the economic situation is still there. So I do not really expect we are going to see much change for a while.

Mr. WOLF. The last thing is that sometime in the spring or so, I would like to go down and spend a day with your people, go out on a boat that actually does a boarding and maybe even do one with Customs, maybe back to back if that would be possible to do some time?

Admiral GRACEY. Absolutely, we would be happy to arrange it.

Mr. LEHMAN. Maybe we will take the whole Subcommittee.

Mr. WOLF. Back to my comments at the beginning—I really do not want to protest too much. I really do admire what you do and what the Coast Guard do, but the only way that we can get some of these things on the record in regard to fairness and equity is, we have to get the witnesses to make that point, so that we can then go and take, not only your testimony, but other testimony to the Administration on the cost-of-living questions, saying all parties should be treated fairly. On this tax annuity question, I have data now that shows that many of the agencies are going to be devastated by it, and we must try to educate both the President, Secretary Baker, and Bob Packwood, and Dan Rostenkowski, here, so that maybe we can change what the Congress has already done.

Admiral GRACEY. I am sorry I reacted so strongly or got so worked up about that. All I was trying to communicate in the retirement issue, sir, was that the military community is regularly concerned because there is a perception that military retirement is some kind of a giant freebee boondoggle and it really is not.

Military retirement is not a pension, it is built into the pay structure you get while you are on active duty and military retirees are subject to recall right now and they have got to go.

So that it is really different. That is all that I was trying to communicate.

Mr. WOLF. I appreciate that. And let me tell you, I agree with you and I respect that and I think that we want a strong military and we want to keep the morale high.

I was trying to make the other point that it is equally important on the civilian side to treat them fairly and I think, you know that you can have all of the new boats and the new systems and whatever, but if you do not have the good people and the morale high you have nothing.

So, I do agree with what you say in regard to the military. I want to make sure that the FBI and the Social Security Adminis-

tration and the National Transportation Safety Board are treated equally.

And again, thank you very much, and all of your staff.

Admiral GRACEY. In the Coast Guard we talk about ourselves as family. Our civilians do not wear the blue suit every day, but they are part of the family. And I agree with you entirely. We believe in the family being treated the same.

Mr. WOLF. I have no further questions, Mr. Chairman.

FY 1986 SUPPLEMENTAL STATUS

Mr. LEHMAN. Thank you, Mr. Wolf.

Before we go to the 1987 budget, I just want to be sure that we understand about status 1986. You mentioned the fact that you are looking at a possible non-monetary supplemental or a reprogramming. You have not made up your mind on that, yet, have you?

Admiral GRACEY. Well, in the testimony before the Senate Committee, the other day, sir, Secretary Dole made reference to a zero growth supplemental meaning, moving things around within the funds for the Department of Transportation.

Mr. LEHMAN. What I am trying to impress on the Coast Guard is that if a supplemental comes to us, whether it is additional funds or whether it is a fiscally neutral supplemental, that we are going to have to have the kinds of information that you provided last year as to what the adverse effects would be, if that supplemental was not forthcoming.

We need to know what will happen to those essential programs of the Coast Guard. I just urge you to provide us with that information.

Admiral GRACEY. Well, will you accept, Mr. Chairman, that there are very serious effects which will be realized which may or may not be closing things. Just because we are not closing anything does not mean that we are not hurting. If we do not put some more money into maintenance, et cetera, this year, we are going to close a lot of things involuntarily next year because it will all break down.

Mr. LEHMAN. I am just urging you to provide a justification for the supplemental in positive terms so that we have the information to support your request.

Admiral GRACEY. I understand. You do understand that it is a Department of Transportation supplemental, it is not just the Coast Guard.

SUFFICIENCY FISCAL YEAR 1987 REQUEST

Mr. LEHMAN. Although your total funding for operating expenses increases in fiscal year 1987, your personnel level is down. For acquisition, construction and improvements your 1987 level is considerably below the current year's level.

Do you believe that your fiscal year 1987 budget includes sufficient resources and personnel for your agency to adequately and properly serve our nation or are there adjustments which will have to be made in the implementation of the program which the Coast Guard administers?

Admiral GRACEY. It is about the same buying power for operating expenses that we had in 1984. We can continue to serve, but we have got some catching up to do. And we are going to have to pay the dues for the squeezedown we are going through.

So, yes, we will continue to serve.

Mr. LEHMAN. You will continue to serve?

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. In other words, it is adequate.

Admiral GRACEY. It will continue to serve. [Laughter.]

We served well in fiscal year 1984 and this is about the same buying power as fiscal year 1984.

Mr. LEHMAN. Well, I will not try to put words in your mouth, but I will just assume in my own mind that the President's budget should it be approved, would be adequate.

Admiral GRACEY. I want to make one point clear, Mr. Chairman. I am not suggesting by my reticence to say it is adequate that I am seeking any more money. Quite the contrary. I would not, because we recognize the deficit situation. But we also recognize what we have been through in 1986 and we know that we have some dues to pay to catch up. I am not trying to suggest that I want you to pad the budget or anything like that. I just cannot tell you that the Coast Guard in this situation is just hunky dory. I also want to remind you that the AC&I reprogramming is an integral part of the whole situation.

FY 1987 BUDGET COMPARISON

Mr. LEHMAN. To what extent is the budget which you are presenting today, different from your request to the Department of Transportation and Office of Management and Budget and, if it is different, to what extent will this difference affect the performance levels in your various activities?

[The information follows:]

The following three-part list gives the details of the various stages of the Coast Guard's FY 1987 budget proposal.

Obviously there are differences at each stage. These result from many things: changes in budget executability; changing program requirements; a balancing of priorities; and the increased attention to deficit reduction, particularly the requirements imposed by Gramm-Rudman-Hollings legislation.

However, the FY 1987 President's request level will be sufficient to permit us to operate at essentially normal levels, particularly in terms of the Operating Expenses Appropriation. Acquisition, Construction, and Improvement's funding will meet our basic capital investment requirements, based upon the proposed reprogramming of the FY 1986 DOD Coastal Defense Augmentation account.

DEPARTMENT OF TRANSPORTATION, U.S. COAST GUARD, THREE STAGE BUDGET REQUEST

[Dollars in thousands]

	Budget authority		
	DOT	OMB	Congressional
Operating expenses	1,959,415	1,849,254	1,832,800
Acquisition, construction, and improvements	520,100	300,000	[1] 77,100
Alteration of bridges	10,000	5,500	.....
Retired pay	377,500	377,500	354,000
Reserve training	72,850	66,232	65,200
Research, development, test, and evaluation	35,000	24,000	20,500
Offshore oil pollution	1,000	1,000	1,000

DEPARTMENT OF TRANSPORTATION, U.S. COAST GUARD, THREE STAGE BUDGET REQUEST—Continued

[Dollars in thousands]

	Budget authority		
	OST	OMB	Congressional
Deepwater port	1,000	1,000	1,000
Pollution fund	7,000	7,000	7,000
Boat safety	[2] 45,000	[2] 29,000	[3] 45,000
Gift fund	80	80	80
Total	3,028,945	2,660,566	2,403,680

[1] Excludes $190.2 million proposed for funding of Coast Guard projects from the Navy Coastal Defense Augmentation Account.
[2] $15 million to be funded toward Operating Expenses.
[3] $30 million proposed to be funded toward Operating Expenses.

Mr. LEHMAN. At this time, we will stand adjourned until 2:00 p.m.

AFTERNOON SESSION

DRUG ENFORCEMENT 7TH DISTRICT

Mr. LEHMAN. The Subcommittee will come to order. Drug Enforcement.

The President's budget indicates that in fiscal year 1987 you will be devoting 15 percent of your budget to drug enforcement activities. Last year, according to the President's budget, this level was 12 percent.

Approximately what portion of your drug interdiction effort is concentrated in the 7th district and to what extent will you be increasing your drug enforcement activities in this area in Fiscal Year 1987?

Admiral GRACEY. I am not sure I can give you the proportion off the top of my head, Mr. Chairman, in terms of the 7th Coast Guard district. I would have to provide that for the record.

I can tell you overall how we are focusing on drug law enforcement, but I cannot give you the specifics. It is difficult to do because many of the vessels that operate in the 7th District are deployed from other places: the 1st district, 3rd district, 5th and 8th district's. Their time is chalked up to law enforcement but it is not necessarily recorded as to what district it is operating in at the time.

[The information follows:]

For FY 1987, about 25 percent of the Coast Guard's total drug enforcement effort is programmed to be concentrated in the 7th district.

Mr. LEHMAN. There is a 3 percent increase across the board for the Coast Guard and I just wondered whether a disproportionate share was going to the area that apparently has the most drug interdiction problems?

Admiral GRACEY. It would not be a disproportionate share in the sense that——

Mr. LEHMAN. I mean positive disproportionate share.

Admiral GRACEY. It would be proportionate to the level of work that is there. But it does not necessarily mean that the resources

will go there. There are a number of resources that are planned to go into the 7th District. For example, of the 16 new patrol boats, 8 of them are going to be in the 7th District—4 in Miami and 4 in Roosevelt Roads.

That is an example.

Mr. LEHMAN. Would you say that the 7th District is your number one drug enforcement area?

Admiral GRACEY. Well, clearly, it is, Mr. Chairman, because that is where the focus of the smuggling activity is. The 7th District is responsible for activities in the Straits of Florida, and the Caribbean. So to that extent and to the extent that the largest volume of activity is in that area, that is where most of our effort is being focused.

Mr. LEHMAN. Could you tell us what your plans might be to reinforce the drug interdiction program in that district, because of the appreciation of the fact that the heaviest traffic in drugs are coming in to this country in that area?

Admiral GRACEY. Well, yes, I can. But there are two things there, Mr. Chairman, if I may just separate them in the beginning.

I was talking about deploying, not reprogramming. A high-endurance cutter whose home port is in New York, will not be relocated permanently to Florida. They have other missions to perform as well. They sail there and do interdiction down the coast as they go. There are seizures being made up and down both coasts. We have ships operating off the west coast and down off the west coast of Panama and Columbia as well.

So it is not strictly, totally an east coast problem.

We are adding, and have added, things in the 7th District to concentrate on the drug program. That is where the greatest number of C–130's are—we are adding C–130's to the air station at Clearwater so they can fly surveillance. The first of our AIREYE sensors is going into Miami. As I mentioned a moment ago, eight of the new 16 patrol boats are going into two squadrons—one into Roosevelt Roads, and one into Miami.

Mr. LEHMAN. I know that you are improving the base in Miami. I saw the construction of it down there.

Admiral GRACEY. We have to do that to accommodate the increases we have put in there, sir. We are buying fast boats to give us a better leg up on people making the short run across from the Bahamas and so forth. Those will be, of course, in Florida.

AEROSTAT PLANS

Mr. LEHMAN. What about your AEROSTAT?

Admiral GRACEY. Well, the AEROSTAT is based out of Key West.

Mr. LEHMAN. Do you plan to lease more of those?

Admiral GRACEY. No; We do not plan to lease more. We were directed to buy some. And we are doing that.

We had two under lease but we just cancelled the lease of one because it really was not working very well. Both have experienced weather casualties. Both crashed this past year in storms. They were both put back on the line but the second one just was not producing so we stopped the lease.

We have two more that we have purchased. They are being bought from different companies. We will run a fly-off, if you will, between them. They are due to come in March and April of this year.

Mr. LEHMAN. From what you are saying, you are actually reinforcing, as I understand, your efforts in the 7th District to deal with the drug problem.

Admiral GRACEY. We are reinforcing our efforts all over the place, sir, but the primary place is where the major threat is. The Coast Guard always puts its major effort where the highest priority is.

GRAMM-RUDMAN IMPACT ON DRUG INTERDICTION

Mr. LEHMAN. Will the fiscal year 1986 Gramm-Rudman-Hollings reduction require any personnel or operating cutbacks in drug enforcement in the 7th District or elsewhere?

Admiral GRACEY. Well, Mr. Chairman——

Mr. LEHMAN. That has been sort of asked before, but this applies particularly to the drug enforcement part of it.

Admiral GRACEY. Well, sir, all of our units are multi-mission units and the ships and aircraft deploy, as I said a minute ago, from other places. There is no way we can take a cut of any kind that will not impact on law enforcement. Since the 7th District on the east coast has the primary focus of our resources, sooner or later it is going to impact.

If we lay-up a ship in the 1st District for example, that is a ship that we will not be able to deploy to the 7th District, so that it will have an impact.

And it will have an impact on other missions as well because ours are all multi-mission units.

Mr. LEHMAN. Can you describe how Gramm-Rudman-Hollings will have an adverse impact on your drug enforcement or your anti-drug traffic efforts in the 7th District?

Admiral GRACEY. I can Mr. Chairman, as I said this morning, as soon as I have a handle on the magnitude of the problem and the extent to which we are going to be forced to close things, ground airplanes or tie up ships.

Mr. LEHMAN. Last fall you could tell us how many ships you would not be able to deploy or how many aircraft you would not be able to deploy. But you cannot do that at the present time in anticipation of the Gramm-Rudman-Hollings cuts?

Admiral GRACEY. Not without going into the details of our contigency plans, sir. I do not think that it is the right time to do that.

I am not playing games with you but we will be able to tell you later.

Mr. LEHMAN. You know what I am trying to get at is the specifics of the Gramm-Rudman-Hollings Act as a negative factor in the drug traffic control in south Florida.

Admiral GRACEY. I know that, sir, but you are doing that on the 26th of February. And the first of March is a significant date in the Gramm-Rudman-Hollings process.

DETERMINATION OF DRUG INTERDICTION LEVEL OF EFFORT

Mr. LEHMAN. Let me go to the next question and I will see if I cannot reword that last question a little differently for you.

Is the President's budget request for drug interdiction consistent with the percentage allocation you proposed in your budget request to the Department of Transportation?

If so, what analysis went into determining that you should devote an additional 3 percent of your budget to drug enforcement?

If not, what percentage allocation did you propose and why?

Admiral GRACEY. Well, first of all, Mr. Chairman, I want to make the point that we did not sit down and say, we should increase our drug effort by 3 percent, because we have some magic number that would indicate that is the right amount.

What we are trying to do is squeeze out of the budget envelope we have a maximum capability to deal with our high priority programs. There is no question that drug interdiction is, along with search and rescue, just as it always is, the hot priority item right now.

So, in 1987 about 62 percent of our funding for law enforcement is going to go into drug law enforcement.

We looked at what kind of resources we could add that would fit to help the program and where we could make some improvements and what kinds of things were affordable and that we could do as quick as possible. What kinds of things were ready to bear fruit that we had been working on for some time then we sought to have those funded.

That is how those numbers came in there. When we got all done putting the budget together we looked and saw that it was X percent, but we did not start off by saying we want to have a certain percent.

Mr. LEHMAN. You say that you did not work toward a 3 percent increase but you ended up through the back door, so to speak, with a 15 percent of your budget for drugs this year which happens to be 3 percent more than was proposed the previous year.

I just wondered what kind of factors you took into consideration to arrive at the 15 percent.

There must have been factors that you had to consider in coming to this level of expenditures. I realize that there is no magic number, but how did you derive this——

Admiral GRACEY. Excuse me, sir, I am listening.

Mr. LEHMAN. I think that you understand what I am asking.

Admiral GRACEY. Excuse me, let me speak to that.

Mr. Chairman, I think I have answered but obviously we are trying to get on the same wavelength here. What I am trying to convey to you is that without looking at a particular line item, of the budget—we have an incremental budget and we know that our hot priority item this year is drugs. If we brought some patrol boats on line last year that we funded through our capital investment program two years ago, those boats will need crews. Those crews will show up as a law enforcement enhancement. So they will appear in here.

Now, the process is a very basic one. We bought boats so we could increase our capability to interdict smugglers. The boats are

now being delivered. The boats need crews, the crews go. It takes operating expense money. I said this morning, that is our lifeblood. There are 8 crews' worth, more than that, 10 crews' worth of people that will be charged to operating expense. A good portion of it, a proportion of it, based on our multimission approach will be written off to law enforcement.

So, there is one item that is a possibility. The AEROSTATS will be arriving, the AEROSTATS will have people for the radar crews and so forth. And those will have to be written in.

We are going to have fast boats. We have 500 people for the law enforcment detachments on Navy Ships and those are going to be apportioned entirely into the law enforcement program, but it will not all be in the 7th District. That will all be in OE. So when you get all done adding those various things, you arrive at the number of increase that you are talking about.

Mr. LEHMAN. I guess what I am hearing is that as the hardware comes on line, you redeploy the crews or the personnel to match the hardware.

Admiral GRACEY. No, sir, you do not redeploy the crews.

Mr. LEHMAN. Do you add crews to match the hardware?

Admiral GRACEY. Unfortunately, over the last several years, we had to redeploy. We have had to shut down something or draw down something. Ideally, and most of the time we do get new crews. Getting personnel new ones-on line is a very complex process. Our personnel people have to start nine months to a year ahead of time, to build up the force so they will have the right crews in the right place at the right time.

And if you can imagine what that involves with people spread all over the world and all the different kinds of items. That is one of the reasons why we really blanche when we have big swings in our budget it is impossible for us to make it all come together.

But that is an example of how it works.

IMPACT GRAMM-RUDMAN ON DRUG INTERDICTION EFFORTS

Mr. LEHMAN. Let me just tell you that there are really two things that worry me that I cannot get really fixed in my head.

Admiral GRACEY. Okay.

Mr. LEHMAN. One is that, as you know, one of the priority issues of the Federal Government is enforcement of the drug laws.

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. I would assume that they would send you a message to keep up your current level of effort or to increase the level of your drug enforcement activities. This is a top priority.

Admiral GRACEY. Mr. Chairman, we do not need a message. Look at this graph, if you can see this graph?

That tall combination of items there, this is dollars in the OE appropriation and each of these is a program and each bar represents a fiscal year.

What I am trying to show you is that this is law enforcement here. We do not need a message to know that it is important.

Mr. LEHMAN. I did not finish asking my question.

Admiral GRACEY. I am sorry, forgive me.

Mr. LEHMAN. Whether you need the message or whether you are already carrying out the program that is a priority of the Congress and the Administration, the Gramm-Rudman-Hollings impact is going to make it more difficult for you to implement your efforts in this area. What I am trying to understand is what kind of effort you are having to make, especially in the 7th District to see that the Gramm-Rudman-Hollings negative impact does not adversely affect the kinds of enforcement that you are doing in the Caribbean area.

You have an ongoing operation, and I assume you are not going to wait until March 1, to decide what you are going to do. I just want the people in my area, myself, and this Subcommittee, to know what is happening.

Admiral GRACEY. Forgive me for seeming to be obtuse, here, Mr. Chairman.

Perhaps I can illustrate the degree to which we put significance on this situation this way.

I described to you this morning a slow-down, squeeze-down program that started in the Coast Guard last October.

And I described to you the fact that we have people living day to day for individual parts. I described to you a program where people are not being rotated. I described to you a program where we have cut fisheries patrols in half, where we are not sailing. We are doing all of our training at the dock. They are drastic things, okay?

But at that same time, I also told you this morning, that we have had, since the first of November, the single largest drug interdiction operation ever going on in the Caribbean and along the coast of Florida. During that slow-down, squeeze-down, the program was specifically established so that places like Florida would not slow down. We cancelled all routine patrols everywhere except in the areas where there is evidence of illicit activities. There can be no doubt about that in Florida. My direction wording was picked particularly to provide for that, Mr. Chairman.

That is the way we are approaching it. I cannot tell you numbers of kinds of things. I can tell you the philosophy and I can tell you that other places are slowing down, but Florida is not. It is squeezing-down, however, in some aspects.

Now, there are two ways to grow. You can either get bigger or you can stay still while everything else is getting smaller, and that is relatively getting bigger. And in the period we have just gone through that is what we have been faced with.

I have just described to you a number of things that are going to be added in the 1987 budget to beef up our capability in the 7th District. Those same kinds of things are not appearing all over the Coast Guard. But I cannot tell you there will be zero impact of Gramm-Rudman-Hollings in Florida, because we are talking about multi-mission units and we are talking about ships and people that are deployed from other parts of the country. To the extent they are impacted, the 7th District will be impacted. The 7th District cannot have all the ships and airplanes in the Coast Guard. We have other work to do. There are still people drowning out there, and there are still aids to navigation that are going to keep the ships moving and there is still ice to be broken and all of those kinds of things have to be done.

Our approach, as it always is, has been to put our maximum effort on the high priority but still maintain a basic level on the other essential work that needs to be done.

That is the only way that I know how to explain it to you, Mr. Chairman.

Drug interdiction is a high priority; we are putting our highest priority into it; and we went to great lengths to avoid any damage to our capability. We have gone on with major operation. I mentioned at the same time the rest of the Coast Guard has essentially been brought almost to a standstill.

That ought to be an indicator that we really do put a high priority on the 7th District.

Mr. LEHMAN. I believe that the more specifics we could have and the better we will be able to cooperate with you and support your request for supplemental funding and fiscal year 1987 funding.

Admiral GRACEY. More specific than the ones that I just gave you, Mr. Chairman?

BUDGET FOR 7TH DISTRICT DRUG INTERDICTION

Mr. LEHMAN. More specific than what you just gave us as to what portion of your budget will go into drug interdiction and what portion of the drug interdiction will be applied to the 7th District?

Admiral GRACEY. I could tell you right now the portion that will go to drug interdiction. It is about 62 percent of our law enforcement and then we can prorate that. That is easy.

If you want specific programs going, it is actually 34 percent of our operating expenses budget is going to law enforcement and drug interdiction is ⅔ of that.

Mr. LEHMAN. Of course, as you say, you divide that among the various Districts.

Admiral GRACEY. That is true.

Mr. LEHMAN. I am trying to figure out what portion goes to Florida?

Admiral GRACEY. I understand that and we will provide that one for the record, sir.

I cannot do it now. But I can tell you specific kinds of things that are in the 1987 budget.

Mr. LEHMAN. In those specifics could you indicate what adverse impacts of the Gramm-Rudman-Hollings you are having to overcome to provide this kind of help because we both realize that Gramm-Rudman-Hollings is going to be a hurdle that you are going to have to overcome to provide the kind of drug programs that we both want for south Florida.

Admiral GRACEY. I will do my best, sir.

[The information follows:]

The impact of the Gramm-Rudman-Hollings sequestration on drug enforcement activities will have the effect of a squeezedown/slowdown. The effect of this slowdown will reduce some routine surface and air patrols except in places where intelligence indicates the probability of illicit operations. However, because drug enforcement remains one of the Coast Guard's highest priorities, it will be less impacted than some other programs. In FY 1987, it is estimated that approximately 25 percent of the total dollar resources spent on drug enforcement will be spent by units attached to the Seventh Coast Guard District.

FY 1987 DRUG ENFORCEMENT PROGRAM GOALS

Mr. LEHMAN. Good management usually establishes measurable and attainable goals for its resource allocation. In fact, in your first testimony before this Committee as Commandant you referred to the need to establish drug interdiction goals.

What goals or performance measures have you established in regard to the fiscal year 1987 drug enforcement program?

What is the difference between success and failure?

That is a tough one to answer.

Admiral GRACEY. Well, it is tough if you want me to tell you a number, Mr. Chairman.

The goal is the same as it has been. It is the same kind of thing that I was talking about a minute ago. Our goal is to do the most we can to get the highest level of interdiction and deterrence we can so we can stop smuggling, slow down smuggling, make it uneconomical while the rest of the National Strategy takes hold.

Now, that is a very broad statement, but it is what it boils down to. There is simply no way—we are often asked, how much do you need to stop the transport of drugs by sea?

Even if we could calculate it, it would be a number so astronomical that there is no point of even talking about it. We stopped even trying several years ago. We recognize there is a problem—a major one—and we are going to do the best we can to deal with it, within the resources that are available to us.

Now, we do know that we are having some success. We know the smugglers are going to great lengths to conceal their cargoes. We know that there is counter intelligence. They are spending a lot of money on counter intelligence and surveillance flights to see what we are doing and where we are doing it.

We know that during the course of this major operation that is going on now that our seizures have dropped off dramatically compared to what they would normally be during this season of the year. Now, that does not mean that we are out there missing them all. What it means is that they are not sailing; and we have intelligence to indicate that.

The same thing happened last year during our Operation Wagonwheel, when we estimate that we got about 50 percent of the Colombian marijuana crop. That does not mean that we seized it all. Part of it just stayed ashore and the Colombian authorities burned it or seized it.

There are a number of indicators of this sort that tell us that we are having an impact. It is costing smugglers more and they can transport less. They have gone more and more to air drops, at sea—things of that kind.

But I cannot tell you that we have increased our percentage or that our goal is to get 67 percent and we are up to 48 or anything. I just cannot do that. I do not think that anybody could ever do that.

Mr. LEHMAN. I guess that part of my frustration as well as the American public, and perhaps your own, is the overall social problem of drugs in this country.

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. I think that drugs are just as much a threat to our national security as some of the other things that we have to deal with, such as terrorism and communism.

Admiral GRACEY. Absolutely.

DRUG INTERDICTION SUCCESS

Mr. LEHMAN. In your statement you were saying that it is hard to measure at what level of success you were operating. What you have not really stated is what would be a realistic goal that you could reach; the level at which you could say the Coast Guard is doing its job to the maximal extent.

Admiral GRACEY. If that is what you want me to state as a goal, I will tell you that we were there three years ago, sir, but that is not really what you mean, I think.

We are doing it at the maximum that we can operate now, but that is not really what you mean.

Mr. LEHMAN. No, that is not what I mean because, as you know, nearly 90 percent of our high school children seem to think that marijuana is readily available and this percentage has changed very little. Not all the marijuana comes through the Caribbean as you well know, but I am just wondering what the goal of the Coast Guard is. If you set out to make a million dollars, you know what your goal is.

In your operation, what is your goal and at what point would you say that you were successful?

I am just trying to justify, I guess, the kind of money that we are spending on this in relation to the results that we are obtaining, without looking like I am trying to subvert your efforts.

Admiral GRACEY. Well, Mr. Chairman, sometimes we have to come at success in a negative way. What would have happened if you were not there? And the fact that we have seized this year something on the order of 2 tons of cocaine, whereas two or three years ago, we got something on the order of 45 pounds.

Now, if we did not get that two tons of cocaine it would be on the street. We know that ships are being scuttled out there and we know they are loaded. We know they are being set afire. We do not ever know how much was there because they are gone to the bottom before we get there. We know there is stuff that is sitting on the dock in Colombia and other places that never gets shipped.

We know all of those kinds of things. We know that if we were not there, they would be coming through. We know that around this time of year is normally the major flow of narcotics shipping; and we know that it is not flowing now. So we know that we are slowing it down.

We simply cannot give you numbers because as I described this morning, the process is extremely complex to estimate how much is there.

It is simply that there are so many variables that it is just not possible to do it. You said, how would the Coast Guard judge if it was being successful?

Mr. LEHMAN. First you have to have a goal and then you can tell whether you are successful.

Admiral GRACEY. Mr. Chairman, let me put it this way: if it were possible within the realm of any kind of reason to say, our goal is within three years, to stop the flow of marijuana and cocaine and other illegal drugs, by sea, and cost is not a factor, that would be our goal. It would be our goal to stop it tomorrow, but that is unrealistic and you cannot do it.

Our goal is to keep the maximum pressure on the traffickers, to figure out ways to outsmart them. We are in an all out war. We are not just the traffic cop stopping speeders on the street down there. We have got a major war going on and they are smart and they have got all kinds of resources. We have got to go into strategies and tactics.

A few years ago, one of our goals was to have an intelligence center so we could participate in the national intelligence community. We have that today. It is operating and it is paying off. We wanted to build our deterrence ability. Well, we know we are deterring because there is not as much coming through. We wanted to build a cooperative effort with the Navy so we could get more Navy ships and more of the other aircraft in to help us. That is happening. So we can give you piecemeal goals, but that is not what you want to hear. I do not know how to say it any other way than that we want to make the maximum impact we can on this drug interdiction thing while the reduce-the-demand part of the strategy takes over.

Mr. LEHMAN. Hopefully.

Admiral GRACEY. Well, that is going on, Mr. Chairman. There is a program that is quite active there and there is finally a national awareness that we are dealing with a real time bomb here.

IG REPORT ON DRUG ENFORCEMENT EFFECTIVENESS

Mr. LEHMAN. The Inspector General's semiannual report submitted last April concluded that there was a need to reevaluate the effectiveness of your law enforcement operations, particularly in the area of drug interdiction.

The IG stated that operating units, such as groups, bases, and stations generally performed whatever drug enforcement they deemed necessary.

The IG believes that better management controls are needed to ensure adequate law enforcement coverage and a more effective use of resources, especially those boats assigned to shore units.

The IG recommended that you evaluate your districts' enforcement operations and have those districts make optimum use of shore boats for drug interdiction.

How have you responded to the IG report and what managerial control and guidance is provided to your bases and shore stations on drug interdiction activities?

Admiral GRACEY. First of all, I would like to make a point, Mr. Chairman. Just because an Inspector General writes it, does not make it gospel truth, but you understand that, I am sure. Our response to that was actually in place before the report was written. We have been trying, for several years now, to enhance our law enforcement training program, to beef up the numbers of people we

have at our various stations, so we can put proper four-man law enforcement crews on our small boats.

We have been trying to build up intelligence. I can tell you for a positive fact, from personal observation, that as early as 1978, in San Francisco Bay, and along the northern California coast, we had regular ongoing five-day patrols by 82-footers, five of them, and, we had tactical programs going on with the local police, and the Drug Enforcement Agents, and Customs, and the FBI, to counteract drugs.

At one point we had a 400-foot ship we detected. It was scuttled at sea with God knows how many tons of marijuana on board.

This is not new and it is not something that is yet to be done. What we have tried to do is to provide intelligence to our districts and to provide them the resources so that they can do this.

In many areas we have had the districts go out and do random boarding. They even had blockades, to the great furor of the boating public, who felt they were being violated.

Talk to Mr. Studds about the fishermen off the New England coast. They are very unhappy about the boardings that are going on from the small boats from our stations. It is a very active program.

We simply do not have enough resources to go out and have a continuous around-the-clock program. So we have to blend it in with our other programs and we have to look for targets and intelligence.

I think my answer is, what the Inspector General felt he saw—I do not know where he was—but what he described was a program that had been ongoing for a long time, and we were building on it as we could get resources to increase it.

But I will have to tell you, those items that we kept putting in the budget also kept falling out. They were cut up here at least once.

COORDINATION OF ACTIVITIES

Mr. LEHMAN. The way I read the IG's report was that the Coast Guard operated at front-line management, and reacted to situations, and that the top management of the Coast Guard was not running a coordinated campaign on an overall basis.

Admiral GRACEY. Oh, okay. Well——

Mr. LEHMAN. You had autonomous units out there doing fire zone combat without any cohesive effort.

Admiral GRACEY. Well, that is what the report says, and let me see if I can put it in context. First of all, we do have an overall Coast Guard-wide drug strategy and a drug program. The responsibility of top-top management here, in Washington, is to get the resources the people in the field need so they can execute that program.

We are divided into districts and each district commander is an almost entirely autonomous operational commander. He is the one who is responsible for the activities in his part of the world.

We are talking about Rear Admirals, sir, and each of them is under the oversight of a Vice Admiral who is the Area Commander, and who is the operational coordinator.

They all have coordinated programs. They all work together, and each of our individual boat units is under what we call a group commander, usually a senior Captain, who works for a district commander. The programs are coordinated.

Now occasionally, we will have an individual boat unit that is all by itself, up the middle of the coast some place, and he sees a target of opportunity. Well, he goes after it. But he is not going after it cold; he is working with his group commander and his district commander.

I really do not understand what the Inspector General is trying to say.

OVERALL FEDERAL DRUG INTERDICTION PROGRAM

Mr. LEHMAN. I want to go beyond the Coast Guard. We talked about the pieces of your own organization. Now you become a piece of an even larger organization, and we have discussed in past years that your drug interdiction efforts are only one part of an overall Federal program, which, to be successful, has to involve demand reduction as well as supply reduction.

Who, in the Administration, is coordinating this overall effort and how frequently are you advised of what the other participants in this program are doing, and how often are you consulted regarding what the Coast Guard is, or should be, doing to assist in this overall effort?

Admiral GRACEY. There is a National Drug Enforcement Policy Board which is chaired by the Attorney General. It consists of Cabinet members. Then there is a group of people at my level called the Drug Enforcement Policy Board Coordinating Group, if you will, and that is the working level.

They sit down and discuss how we can make it better and what kinds of things we need to do. They feed material for basic major decisions to the Board, who report to the President and the Vice President. We also have the National Narcotics Border Interdiction System, as you know, which is specifically designed to coordinate operations.

There is also work done especially on the "cut down on the demand" side of the problem. There is a Special Assistant to the President. I attended a meeting with him just last week at the White House, on the subject of cutting down demand. He holds meetings once a month, and we all sit down and talk about it, and we coordinate our efforts.

We have a senior Coast Guard captain that is working at the NNBIS headquarters under the Vice President, and we also have a senior Coast Guard captain who is working as a key part of the team on the Policy Board.

So there is really quite a bit of coordination going on and a great deal of high-level effort.

INTERACTION WITH NNBIS AND NATIONAL POLICY BOARD

Mr. LEHMAN. You are saying that you are being consulted by the person who coordinates these programs, and when they consult you, what do you tell them as to what you think your most serious

problems are, and what kind of cost-effective improvements could be made in your program?

Admiral GRACEY. Well, I tell them where we are, in terms of our capabilities, what we are accomplishing, and what we could accomplish if we had additional resources.

Mr. LEHMAN. But what are the specifics of what you are telling them?

Admiral GRACEY. I know what you are trying to do, sir. I do not think I can really go into that because——

Mr. LEHMAN. Just suppose I was the Chief Federal Coordinator, and I said, "What can we do for you?"

Admiral GRACEY. If you were the Chief Federal Coordinator, sir, then I would tell you. [Laughter.]

I know, and I appreciate your trying to help us, Mr. Chairman, but one of the reasons we have this group, of course, is to try to blend—there is only so much financial capability, and it is trying to blend. You know, it is obvious, I think, that if you—you know, we have been through this before, way back in 1982 and 1983, when we were talking about our study on how to improve our effectiveness, triggered with the interest of Secretary Lewis.

At that time there was great interest in my talking about numbers. It is pretty obvious: If you have more airplanes, you can detect more things; once you detect it, you have to get to where it is, and you have to do that with a ship. And once you get them, you have to bring them back in, and that takes a different kind of a ship.

To the extent that you can beef up your resources you can do more; but I cannot go into telling you numbers. Considering where we are, and the fiscal state in this country, in 1987, I think it is remarkable, the amount of money we are talking about putting in to enhance drug interdiction efforts in our budget.

I have related to you a half a dozen items which are really high-dollar items, that are coming in. I think it is remarkable that that is going.

One of the reasons we want to get our ships through the FRAM Program, and we want to do some reprogramming of the AC&I business, is so we can focus on those things which will let us do drug interdiction as well as the defense capability.

So there is a high priority; that is evident.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. I realize it but I cannot quite understand why you cannot tell the Chairman and the Congerss what you would recommend to the White House as to what you think should be done?

Admiral GRACEY. I think you really can understand it, Mr. Coughlin. You know, we are into a process. It depends on when you are and where you are. We have recommended certain things. You have our three-part list. You know what we started out, what was in our budget when it started, and you know what is in it when it ended. You can look at those things and say, "Were those recommendations for drugs?" and obviously, some of them were, and some of them were for other things.

Those were things that we thought were within our capability to acquire in this year and put to use.

Now, between the time we put that in, and the time we get here, a number of things have happened in the fiscal climate of the country.

We would, at a given point say we need some more—I need some Forward Looking Airborne Radar for the C–130's, because they, right now, and forever and ever, have been flying blind.

I said that many years ago, and eventually it is coming. We have finally got it funded and those radars are going to come.

I said we need an AIREYE package. The AIREYE is here. We said we need some new helicopters; the old ones are going. The new ones are coming. We need some patrol boats; the patrol boats are coming. We are starting down the road of replacing our old 95-footers and that is a line-item in the budget, and it is going.

So all of those things are happening. You know, there is only so much we can absorb in a given time. We can use the AEROSTAT effectively, we hope, and we are getting some of those, and they are coming.

In terms of numbers of people, and some of that, now you are into nitty-gritty. You see, we keep tending to talk about hardware up here on the hill, but it is cash dollars and numbers of people that make the difference sooner or later. That is where the rubber meets the road, because that is the outlay, right now, this year. When you have a dollar in operating expenses it is gone this year. And that is where it hurts in Gramm-Rudman.

Mr. COUGHLIN. I will have further questions later. Thank you, Mr. Chairman.

BUDGET ROLE OF FEDERAL DRUG PROGRAM COORDINATOR

Mr. LEHMAN. In pursuing what Mr. Coughlin just said, does this coordinator have a budgetary role as to where the funds go?

Admiral GRACEY. The Board looks at the overall Federal budget with a view to drug strategy; that is one of their purposes.

Mr. LEHMAN. I imagine this subcommittee would have just as important a budgetary role as this Review Board would, and I would hope that the information that you provide this coordinator would be as equally available to this subcommittee. I think it is important for your own benefit, that either in executive session, or otherwise, that we have this information at hand.

Admiral GRACEY. Well, Mr. Chairman, I think I may have created an impression that I wish I had not created, and that is that somehow we are sending in a wish-list to the Attorney General, as the Chairman of this Board, and saying, "Please, sir, will you get us these things."

It is not done that way. We operate in a budget climate. We are a part of the executive branch of government. We all work for the President.

We know what is possible, and we are trying to operate within the art of the possible. You and Congress understand the art of the possible. We do not just sit down and, as I say, put in a wish-list.

You said to me if the coordinator asked you how could you do it better—well, you know, I would say, well, if we had another airplane with this capability in that place, or if we had two more

boats of this kind over there, or whatever. But it does not get down to that kind of detail.

DETERMINATION OF SPENDING LEVEL FOR DRUG INTERDICTION

Mr. LEHMAN. Did the coordinator play a role in determining this 15 percent, or did you come up with the 15 percent and send it to the coordinator?

Admiral GRACEY. I do not know what 15 percent you mean, sir.

Mr. LEHMAN. The 15 percent of your budget that goes for drug enforcement, is that 15 percent coming from you to the coordinator or the coordinator down to you?

Admiral GRACEY. First of all, let me repeat, Mr. Chairman. One, it is 21 percent of our operating expense money. Okay?

Two: And it is 64 percent of our law enforcement money. Okay? Now——.

Mr. LEHMAN. I was just using the President's fiscal year 1987 budget, page 5-74,

Admiral GRACEY. That is probably the overall budget, sir, because that would include AC&I, and everything else. I am talking about just operating expense which is, again, where the rubber meets the road.

Now, again, we did not sit down and say we want to increase from 12 percent to 15 percent. We said these are the line item things that we can do. We have always got a list as long as both your arms put together, Mr. Chairman, and we have to make priority judgments. We lop off, before it ever gets out of the Coast Guard a what? 80 percent? 50 percent of the line items; more than that.

Now in the process of lopping, it is done on priority, and the items that remain are always related to our high-priority programs, but we have got to balance.

If we enhance a training program, it will not be chalked up to law enforcement, but if we get better petty officers coming out, they are going to serve better in the law enforcement business. It is my job, running the Coast Guard, to balance that.

When we get that put together, it goes into the pot, and the people at the Department of Transportation say, well, okay, now we think the pot ought to be just so big, and we have got to make a mix amongst our different things.

From there, it goes to OMB, and they have got to do it for the whole government. What comes out comes out. This time—with the FY 1987 request—they have looked and said yes, by gosh, the Coast Guard is high priority and we want those things to stay. So they have stayed. It is an accident that it came out 15 percent. Quote, accident. We did not set out to go raise it by 3 percent. We set out to enhance our capability the best we could in ways that are going to serve the country best.

COLOMBIAN MARIJUANA INTERDICTION

Mr. LEHMAN. You threw out a number a while back that has been of interest to me, I believe you said that the Coast Guard had effectively stopped, at one point or the other, 50 percent of the Colombian marijuana production from reaching this country.

You must know something that I do not know in arriving at that 50 percent figure. How did you arrive at that 50 percent figure?

Admiral GRACEY. Okay. The way that is done—and remember, these are all estimates—but this is focusing on one place, one country, one source, one time period.

But when you ask me the overall thing, it is not that easy. Okay? They know, they made estimates of the size of the crop in Colombia last year.

Mr. LEHMAN. How much was that?

Admiral GRACEY. I do not know the numbers.

Mr. LEHMAN. Could you provide it for the record?

Admiral GRACEY. I am not sure whether I can, or not. If we can we will. But we made estimates; we had to get it somewhere, and I admit, I just do not know the—I can only tell you the process.

Mr. LEHMAN. Fifty percent of what, is what I am trying to find out.

Admiral GRACEY. I understand and, obviously, if I know fifty percent I know what—I am trying to tell you how we got it and I will try to give you the numbers, if it is possible. I just do not remember all these things.

[The information follows:]

According to the National Narcotics Intelligence Consumers Committee's 1984 Narcotics Intelligence Estimate, Colombia is the major exporter of marijuana to the United States, supplying 66 percent of the total imports into the U.S. in 1983 and 48 percent in 1984. Mexico had surpassed Jamaica in 1984 as the second major supplier, providing 24 percent of the U.S. import. Colombia was therefore the target of primary efforts at reducing the flow of marijuana into the U.S. in 1984.

The Fall 1984 Colombia marijuana harvest was projected at approximately 11,000 mertic tons. Through a program of chemical spraying and manual eradication starting in the summer of 1984, over 8500 acres of marijuana representing approximately 34 percent of the entire Fall crop were destroyed by the Government of Colombia before it could even be harvested. After this destruction, at most approximately 7260 tons remained of the Fall marijuana crop. Helicopter assaults by Special Anti-Narcotics Units (SANU) on the mountain areas where marijuana is processed and baled, coupled with roadblocks on the major internal distribution routes resulted in almost total disruption of the internal Colombia marijuana distribution system. These operations also resulted in the seizure of nearly 2285 mertic tons of marijuana. This represents over a quarter of the remaining (7260 tons) harvest.

From 1 November 1984 until 31 December 1984, Operation WAGONWHEEL was conducted by Atlantic Area forces under the operational control of Commander, Seventh Coast Guard District. Wagonwheel was part of Hat Trick, a larger operation coordinated by the National Narcotics Border Interdiction System (NNBIS) involving other U.S. law enforcement agencies. Supported by significant air, surface and intelligence resources from the Department of Defense, U.S. Customs, the Drug Enforcement Administration, the National Narcotics Border Interdiction System and the national intelligence community, Coast Guard vessels and aircraft were deployed and operated in concert throughout the Caribbean in a series of coordinated multi-unit operations. These operations were designed to interdict smuggling vessels, disrupt maritime smuggling routes, test innovative operating techniques, collect intelligence and foster joint-inter-agency and international cooperative efforts to combat drug smuggling.

The results of Columbian domestic efforts coupled with record November seizures by the Coast Guard (240 tons) and other losses to the smugglers (e.g. cargoes dumped at sea and seizures by other agencies) indicate that over one half of the Fall 1984 Colombian marijuana harvest was seized or destroyed.

Admiral GRACEY. We know how much we seized. We know how much the Colombian authorities estimated they destroyed, or told us they had estimated they destroyed. We have intelligence about how much was destroyed in the field.

We know there was a certain amount—and I cannot tell you numbers of bales, but we know that there was a lot left rotting on the dock.

We know what we seized. We know that one boat mutinied and ran on a rock and sank. A boatload of something. We do not know how much was on it.

The bottom line was, the best guess of those who are in the business of guessing—and that is not us—was that about 50 percent of the crop last year was either apprehended or destroyed.

Mr. LEHMAN. If you could give us that in tons, for the record, I would appreciate it.

Admiral GRACEY. I can tell you, in tons, how many we seized last year, but that is different; that is not what you are asking for.

Admiral STABILE. Could I make a stab at it?

Admiral GRACEY. Yes.

Admiral STABILE. I would like to verify these numbers but I will make a stab at it, to the best of my recollection from the reports. Per year, I think we are talking about 12,000 metric tons and two major crops. The crop that we are talking about was the fall harvest which would have been about 6,000 tons, and my recollection is that over 3,000 tons were trapped and destroyed on the beach. That is the kind of numbers I seem to remember.

But there were two major crops per year. We hit the fall crop, was what the Commandant was talking about, on that particular operation.

We did manage to bottle it up so that they could not get most of it out, and it did get caught by the Colombian authorities on the beach, in large measure. So we are talking about large quantities.

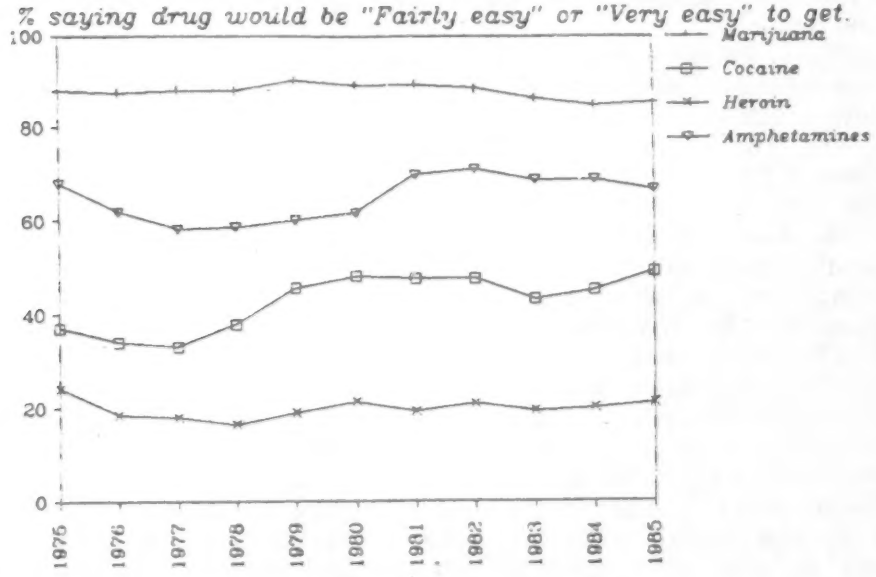
DRUG INTERDICTION EFFORTS AND AVAILABILITY OF DRUGS

Mr. LEHMAN. Apparently. The Committee, and the Congress, have strongly supported your drug interdiction program.

However, as the following charts, which I shall insert in the record, indicate that even with a spending increase of more than 100 percent in our drug interdiction efforts, the availability of drugs, particularly marijuana and cocaine, is still very high and has changed very little over the years.

[Material referred to as follows:]

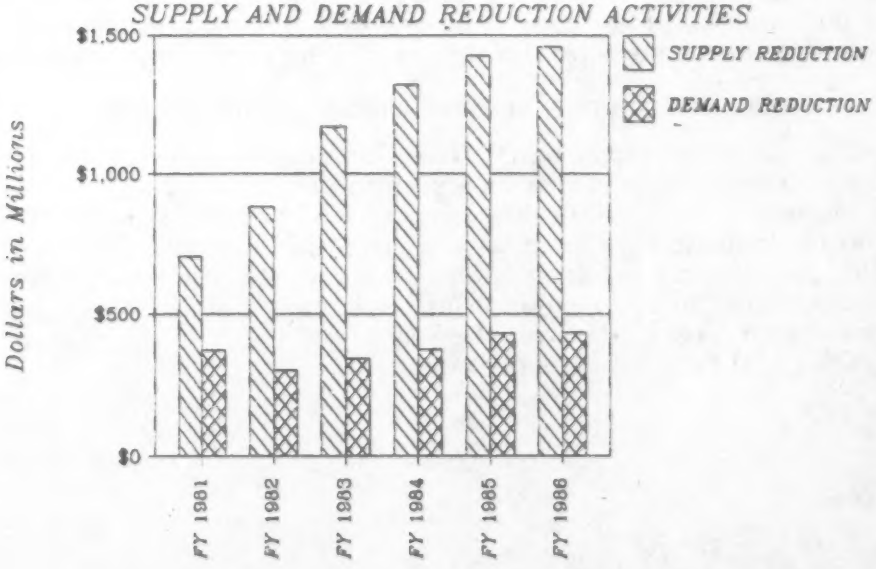
TRENDS IN REPORTED AVAILABILITY



High School Senior Class

FEDERAL DRUG ABUSE BUDGET

SUPPLY AND DEMAND REDUCTION ACTIVITIES



(SOURCE: OMB/DRUG ABUSE POLICY OFFICE)

AVAILABILITY OF MARIJUANA

Mr. LEHMAN. I do not know whether you have this chart in front of you, but——

Admiral GRACEY. I do, sir.

Mr. LEHMAN. What is rather shocking is that your major effort is in marijuana, and yet, somewhere close to 90 percent of high school seniors from 1975 to 1985, have consistently said that marijuana was fairly easy or very easy to get.

It must be a very frustrating piece of data to have to be able to contend with.

Admiral GRACEY. Well, it is frustrating, Mr. Chairman, but remember, we can only deal with that which is moving by sea. We cannot deal with the domestic crop. We cannot deal with the crop that is air-dropped on land. We cannot deal with the crop that comes across borders.

Our job is to go after that which is coming by sea, and I would need to know more about where these figures came from and where the high school students were.

I do not question them. I just do not know how to comment on it. It is discouraging. I would like to see it dropping off.

But the more important thing I think is: I would like to know how many of them knew it was easy, readily available, and how many of them said "no" to getting some. That is the important thing, because when people start saying "No," that is when we are going to win the battle.

Mr. LEHMAN. This is data provided by the Health and Human Services Department of the Federal Government.

Admiral GRACEY. I do not challenge it, Mr. Chairman, but as I say, I think the important thing is, it may be easy to get, but how many of them got it? How many of them said no, I do not want it? That is the important thing. And the word, from what I understand, is that we are making some headway and there are really some rather fine awareness programs that are underway, now, by the National Institute on Drug Abuse, which is a part of this, one of the groups that I talked to you about.

EFFECTIVENESS OF INCREASED SPENDING IN REDUCING DRUG AVAILABILITY

Mr. LEHMAN. I guess you have already answered my next question. In looking at these charts, how would you assess the effectiveness of this increased spending in reducing the availability of drugs? If you are doing your job to the maximum extent as you indicated, it does not appear that this is really affecting the availability of marijuana.

Admiral GRACEY. All I can do is go back to where I was a few minutes ago, Mr. Chairman, and say, just think about if we were not out there. Think about that four tons of cocaine that would have got here, and, all the others.

Mr. LEHMAN. Listen, I understand that you cannot be less aggressive against drugs, but I just feel that the demand side must be dealt with an equal basis, if not more so, than the supply side.

Admiral GRACEY. Well, the difference, Mr. Chairman, I think is—again, we are into the same kind of thing that Mr. Wolf and I

got into this morning between equal and equitable, and an equal level of effort on the demand side is not going to cost you anywhere near as much as the effort on cutting down the supply side, because interdiction is a capital-intensive, personnel-intensive, very expensive business.

But if you do not hold the line on that, while the other is taking hold, you will never get there.

DEMAND REDUCTION

Mr. LEHMAN. Of course, we do not have unlimited funds to fight drugs. Do you think that more should be spent on ways to combat the demand side rather than——

Admiral GRACEY. Well, unfortunately, Mr. Chairman, you cannot combat the demand side. You can educate people. It is the old "lead a horse to water and make them drink routine."

We are talking about educating people. One of the things I was delighted to see that has happened recently—for example—is that there is conversation going on with the motion picture industry and the television industry, to get them away from the idea that marijuana and cocaine and other drugs are glamorous somehow, because people look at those things and they pick up on the idea.

They are meeting with parent groups. I see ads now that say "all you have got to do is say no," and words I used a minute ago. It takes a while for them to take, but in this country we do respond to ad campaigns, and we do respond to that kind of a program.

Mr. LEHMAN. There has been success in this country, in recent years, on changing life styles with regard to cigarettes and in changing life styles with regard to hard liquor.

I know that even companies like Jack Daniels are having a tough time now. I think that if we could provide the same kinds of attack, a public relations effort on the demand side, like you said, in the motion pictures and things, we would maybe be just as effective as attempting to reduce the supply. I just wonder whether—you know—it is trying to put out a forest fire with a pitcher of water or something. You have to go after both of them with equal resources.

Admiral GRACEY. Again, with equal levels of effort, Mr. Chairman. You are talking about two different problems, and what I am trying to communicate to you is that there is an increasing tempo of activity in cutting down on the demand side. I can tell you two or three things, or three or four, that this one particular group has done.

I can tell you that in the Drug Enforcement Policy Board I was talking about, one of the very key items is in the prevention side, rather than the interdiction side. That is a very high level of interest.

ADMINISTRATION'S DRUG ENFORCEMENT STRATEGY

Mr. LEHMAN. In the past, in fiscal year 1985, you stated that the Administration's drug enforcement strategy involves a variety of things related to both demand reduction, and supply reduction, and that your efforts were an attempt to, quote, "just kind of hold the line while the rest of the strategy takes effect."

Do you have any indications that the "rest of the strategy" has begun to take effect? You were talking about demand side. If so, what are they? And if not, do you believe the demand reduction percentage share of the total Federal drug abuse budget should be increased?

I have more or less asked you that question. But funding for demand reduction has declined from about 35 percent in fiscal year 1981 to about 23 percent in fiscal year 1986. I guess the real question is, do you have any indication that the rest of the strategy, which is the demand side is taking effect?

Admiral GRACEY. Yes. From time to time we get data—I do not remember what the last set of statistics were, and periodically, you get great flashes of hope, and then, later on, somebody tells you, well, it is not really going that way, or, we are shifting, or it is happening, it is working fine with marijuana but now people are beginning to look to cocaine.

And of course one of the reasons we are seizing more cocaine, I am sure, is that more is being shipped by sea.

So, I personally cannot tell you that. I can tell you that there is an increasing level of effort on that side, and there is a steadily increasing amount of attention to it, and money being put into it.

Mr. LEHMAN. I was pretty shocked at the level of accessibility of amphetamines. The Coast Guard is not too much involved in amphetamines, as far as I know.

Admiral GRACEY. Well, we get some. I was interested in, and I saw some figures the other day, as to the level of doses of amphetamines we had seized. We get it all. We get Thai sticks, amphetamines, hash oil, coca paste. It is all out there.

We have been talking mostly about marijuana and cocaine, which are the biggest, but we are getting all of that other stuff in various quantities, with people that we stop and board, and we are getting more of it all the time.

Mr. LEHMAN. Mr. Coughlin.

INTERDICTION TACTICS FOR DIFFERENT DRUGS

Mr. COUGHLIN. Thank you, Mr. Chairman. Admiral Gracey, I have a particular interest in this field, serving also on the Select Committee on Narcotics Abuse and Control, before which you have appeared on occasions.

One of our major concerns is that although the usage, and this is not availability, necessarily, but usage of marijuana, heroin, and amphetamines, are somewhat leveling off, or even tapering down. The use of cocaine is literally exploding, at a time when it is considered a fashionable, or potentially nondangerous drug.

We have evidence that it is, indeed, potentially more addictive than heroin. The price is down dropping, and rather than being the "executive" drug, if you want to call it that, it will be available to people of all income levels, and all ages, in our schools, just as marijuana has been.

Yet, I would guess that it is more different to interdict than marijuana because a very highly potential amount of cocaine and hydrochloride can be very small compared to marijuana which is bulky.

Admiral GRACEY. That is true.

Mr. COUGHLIN. And so you use any different interdicting tactics in looking for cocaine than marijuana?

Admiral GRACEY. No, the basic strategy is the same. We work with intelligence, and we board, and we search, and we know essentially where to look. Invariably, when we board a boat, we will see somebody throw a small satchel over the side. So we know that is probably the hard stuff, cocaine and so forth.

Lately, it has been in bigger quantities, and they could not get rid of it. We have learned, too, and our intelligence is helping a great deal.

The answer is no, the basic approach is the same. You have to look harder because you know it is smaller——

Mr. COUGHLIN. It has got to be a lot more difficult to locate because it is much more concealable than marijuana which is——

Admiral GRACEY. That is right.

Mr. COUGHLIN. In bales, and cocaine can come in very small packets.

Admiral GRACEY. That is true.

Mr. COUGHLIN. And be of very high street value.

Admiral GRACEY. It is all the more remarkable that our people have picked up as much as they did. As I say, it is over three tons this year.

Mr. COUGHLIN. You indicated that the cost of your interdiction effort is upwards of $400 million a year, and we spend somewhat under $500 million, entirely on the demand side, so probably, we spend as much on Coast Guard interdiction to say nothing of Customs, and everybody else, as we do on the entire demand side.

How would you look at that?

Admiral GRACEY. Oh, I would look at that and say that I am surprised that the proportion is not much more lopsided, because the interdiction is so capital intensive.

And I would guess that a big part of the cost of the interdiction effort is in the Coast Guard. We are the ones with the big capital money, and, you know, the capital hardware and so forth. Customs is operating small boats with small numbers of people. DEA is operating with individual agents and aircraft, and so forth. I am just surprised, with knowing the capital intensity, that the ratio is not different.

Obviously, one place to go, to put a lot of money, is into cutting down demand, but I would guess that you probably get more for a given dollar in that arena than you do for a given dollar in the interdiction arena.

Just getting out there costs money in the interdiction arena.

DEMAND REDUCTION VERSUS INTERDICTION

Mr. COUGHLIN. Then I guess in connection with your discussions with the drug coordinator, you indicated that the Chairman indicated that the availability appears to still be as great as it always has been. You indicated that the real question was how many say no.

Did you ever consider recommending to the drug coordinator that you spend less money on interdiction, and more on the demand side?

Admiral GRACEY. No, because I do not want to have to look in the mirror the next morning and say, if he listens to me and takes one ship out of there, and that ship would have stopped 1,000 pounds of cocaine this afternoon, it is going to be on my conscience. No, sir, I would not do that. You know, when you are talking about stopping demand, remember, we have got schoolteachers; you are talking about people who go to school; education comes from them. There are all kinds of avenues to carry this.

So I am not sure the amount of Federal dollars being spent is a direct indicator of the amount of effort that is going into the demand problem, because now you are going into the public arena.

The States and local units, except through their police force, cannot really get into interdiction; but when you are talking about demand education, you are talking right down to the very family unit in this country, and having them all participate.

So I think the multiplier effect on the amount you spend in demand is much greater than the amount that you spend on stopping supply.

I do not think it is a tradeoff, and I do not think you could take $5 million out of our interdiction effort, and even if you forgot all the other things you get out of that investment in Coast Guard multi-mission units, I am not sure that it is going to have a commensure impact on the other side. Five million dollars, I guess maybe it would help. You are really asking the wrong man these things. Obviously, you know, my job is to run the Coast Guard, and go out and bust smugglers. I happen to have some very strong emotional feelings on the subject of drugs and the impact. I am not in a position to discuss, as a nonpartisan how these tradeoffs would work. That is not my business. That is a Class A copout, I suppose—but is the truth as I see it.

COCAINE INTERDICTION EFFECTIVENESS

Mr. COUGHLIN. But as somebody said, it is our business, and, faced with the increased difficulty of interdicting cocaine in particular, I wonder how you consider your relative effectiveness in interdicting cocaine as opposed to marijuana?

Admiral GRACEY. All I can tell you, Mr. Coughlin, is that in 1982, we got nine pounds; in 1983, we got 46 pounds; in 1984, we got 1,967 pounds; and in 1985, we got 6,512 pounds. It sounds to me like we are getting pretty good at it.

Now I do not know what proportion of the whole thing that is, but there are not very many places around that you will find that kind of increasing success rate.

Compared to marijuana, I really do not know. And to the extent that they are—as you said—they are harder to find, but, our personnel are getting pretty good at figuring out where this stuff may be on those boats. Obviously we are finding it. We also have good intelligence. That intelligence center that I talked about is in business now, and we are communicating through the intelligence community, and getting a whole variety of positive effects. I really do

not know how to judge our relative capability between cocaine and marijuana. All I know is we are doing well.

Mr. COUGHLIN. I guess I would suggest that the increase in your apprehension of cocaine fairly closely parallels the increase in the supply of cocaine——

Admiral GRACEY. Which means——

Mr. COUGHLIN. Relative percentages, in terms of the growth of cocaine coming into the United States.

Admiral GRACEY. Right. And it is scary, because it probably also indicates we are getting it because they are moving bigger quantities by sea. They are moving bigger quantities; therefore, they want to move it by sea, and that must mean there are more people here who want it. I agree with you.

Mr. COUGHLIN. Thank you, Mr. Chairman.

INTERPRETING INTERDICTION SUCCESS

Mr. LEHMAN. If I remember right, the fact that you were catching less marijuana on the high seas was indicative of the fact that they were afraid to ship it that way because of your interdiction, and you really had caught less marijuana this year than the year before. So as you are stopping the marijuana to some extent cocaine is going up, and you say because you are catching many more tons in cocaine. That is a success.

You are getting a little bit less marijuana, and that is a success. I know what you are saying, but it is rather ironic that the more cocaine you catch is a sign of success and the less marijuana you catch is a sign of success. But I know what you are saying, but as I said, it is a strange situation, where you can almost be a success no matter what happens.

Admiral GRACEY. That goes back to what Mr. Coughlin was talking about. It is different. They are carried in different ways, and they're carried in different quantities. And we've been head-to-head with this marijuana business for a long time now. And so we've got a deterrence factor in here, too. Whereas with the cocaine, we are seeing a shift in how that's going, and it's entering a new phase.

For a long time we judged marijuana as a growth. The ultimate sign of success would be if we could be 100 percent sure that we knew everything that was going out there and never got a single load of marijuana. That would be the ultimate sign of success. That means nobody got through.

Mr. LEHMAN. And you'd work yourself out of a job.

Admiral GRACEY. Yes. That's what we're all trying to do in the drug interdiction business. Incidentally, we were talking about the relative sizes of things. You know, the drug business is a [illegible] lion business, give or take ten. This country is spending [illegible] half billion overall in combatting it. If you want to talk [illegible] balances, there's one. You're fighting an enemy with unl[illegible] resources, and you've got to meet him on his own terms.

I'm not suggesting we put $100 billion into combatting it, by the way.

Mr. LEHMAN. Mr. Wolf.

DRUG EDUCATION APPROACH

Mr. WOLF. Thank you, Mr. Chairman. Just to comment, I agree with the Chairman. I think you ought to keep doing what you're doing, and I support it, but you're dealing also with a societal problem that the Coast Guard can't deal with alone. You're dealing with a problem of young people, lack of self-esteem. You're talking about Colombia and Bolivia with an economy that is in shambles. You're talking about a corrupt government in Mexico.

We now know that the man who was involved in the killing of the agent down there has been living at different times with different governors in different states in Mexico.

We've got a big problem. I guess we've got to keep giving you money in an attempt to shut it down. But I don't think the Coast Guard should be given the burden of solving society's problems. And I think it's a very difficult one.

I think if we put more money in drug education here in this country it would be helpful. There is no lack of drugs here. The street prices go down, and young kids become destroyed.

Out in my district there's a group called Straight, where there are kids who have been just destroyed. I hurt for the parents and I ache for them. These kids are just being used by the drug smugglers bringing the drugs in.

So I want to encourage you to keep doing what you're doing. But I agree with the Chairman's point, or at least what I caught at the end, that is it's really an educational process, and maybe a lot of the money that we spend we ought to go toward more drug education.

I met with Bud Mullen, former head of DEA, just a week before he left and he told me the only answer that he saw is education of the young kids beginning in the first, second and third grade.

Admiral GRACEY. I echo that. In fact, I applaud it. I would tell you, if I may, there are a couple of things I would like to comment on. Number one, we repeatedly talk about the market place. You didn't use those words exactly, but something you said triggered it.

The Vice Commandant and I were talking this morning. It's not really a bona fide market you're dealing with. The customers in this particular market have got to have the product. Some of them have a choice. But the ones that are really into that market are into that market, and there's no need for the price to go down.

The suppliers can keep the price up. There's no competitors out there. There's nobody to go to.

So we've got to be a little careful how we judge the market place.

In terms of how to deal with it, I have to tell you that within the Coast Guard I feel that we've dealt quite well with the program. What we did was to establish a real hard-nosed, tough urinalysis program. One hit and you're out, period, no questions asked. You're gone.

And our incident rate dropped almost overnight from about 14 percent all the way down to about 2 or even less than that. Yes, we had three or four hundred people that went home last year. They're not around anymore, and the word is out.

And I think it will be interesting to see what the various professional sport leagues do with this problem. I see they're beginning

to catch on to that. We in America are very worried about the privacy of individuals, and, of course, in the military we worry about it, but on the other hand we recognize that there's a special situation there. I'll be interested as to how long we'll go with the idea that we will oppose unethical values of whatever it is, the idea that if you want a job with this company or with this firm, or want to play in this league, you're going to have to prove to us that you're not involved in drugs.

DRUG CONFISCATIONS AND PROSECUTIONS

Mr. WOLF. I agree with you. I would like to see for the record the confiscations, and I want to see the prosecutions. I want to make sure that these guys who are getting caught are getting prosecuted. And I want to make sure that whatever U.S. Attorney it is down there, whoever he or she is, not bringing the cases, be identified. Then we should get in touch with Ed Meese and find out why these cases have not been brought to trial.

That's not going to solve the problem, but there are many efforts that would help, and that's just one.

So if you can, as I asked you earlier today, be sure you give me the records of what seizures you've made, and what's happened to the people arrested.

Admiral GRACEY. We've had a very good record, incidentally, of those that go to court, we've had something like an 85 or 90 percent conviction rate. And in terms of actually prosecuting those that are arrested, it's up over 80 percent. One of the things is now that we're into hidden compartments, it's possible for the crew to say, gee, we didn't know it was there, and it's a little hard to prove they did.

So sometimes, I guess the decision is made not to pursue a particular case. But we're running at a pretty high prosecution case, and we're well up over 90 percent on the actual conviction rate of those that are prosecuted. So it's going well. But we'll give you more detailed figures.

[The information follows:]

COAST GUARD CONTRABAND SEIZURES

CALENDAR YEAR	1982	1983	1984	1985
CASES:	232	262	366	292
VESSEL SEIZURES	173	170	217	163
MARIJUANA SEIZED (lbs)	3,525,755	2,448,940	2,505,356	2,141,509
COCAINE (lbs)	9	46	1,967	6,512
HASHISH (lbs)	0	29,962	1	2,099
ARRESTS	988	835	922	711

The above are Coast Guard-wide statistics and do not include those cases where the Coast Guard assisted other agencies.

SEVENTH DISTRICT DRUG PROSECUTIONS[1]

	CALENDAR YEAR			
	1982	1983	1984	1985
INDIVIDUALS ARRESTED	780	731	937	660
STATE PROSECUTIONS	11	2	7	17
FEDERAL PROSECUTION				
- INITIATED	602	576	751	545
- AS % OF THOSE ARRESTED/SEIZED	77%	79%	80%	83%
TRIED/PLED IN FED COURT				
- NUMBER	592	521	560	198
- AS % OF PROSECUTIONS INITIATED	98%	90%	75%	36%
FEDERAL CONVICTIONS				
- NUMBER	527	444	508	186
- AS % OF THOSE TRIED/PLED	89%	85%	91%	94%

Notes:

1 - As of December 31, 1985.

2 - Approximately 80% of all Coast Guard drug seizures occur in the Seventh District. Prosecutions initiated and their outcome are reported in the same calendar year as the arrest, even if the trial/plea/ conviction/acquittal took place during a later year.

3 - These statistics include those cases where the Coast Guard assisted other agencies.

Mr. WOLF. Thank you. No more questions.

Thank you, Mr. Chairman.

Mr. LEHMAN. Thank you, Mr. Wolf.

To what extent will the reduction in the Bureau of Customs air interdiction program effect the utilization of your aircraft for drug enforcement activities?

Admiral GRACEY. It won't impact on us at all. I don't see any impact.

ADJUSTMENTS IN DRUG INTERDICTION STRATEGIES

Mr. LEHMAN. Last September, it was reported that Coast Guard seizures of marijuana were down and that drug smugglers appear to be trafficking more heavily in heroin and cocaine, which are more profitable and also easier to conceal.

What adjustments have you made or do you intend to make in your drug interdiction efforts to address this shift in emphasis by drug smugglers?

Admiral GRACEY. Well, really, again, we're always shuffling our strategies around, Mr. Chairman. But the basic approach is the same. We're going to move where intelligence tells us to move.

COCAINE SEIZED

Mr. LEHMAN. You seized about 6,000 pounds of cocaine last year?

Admiral GRACEY. Yes, sir. 6,512.

Mr. LEHMAN. How many pounds did Customs get?

Admiral GRACEY. I don't know.

Mr. LEHMAN. They go around sticking rods into flower boxes and that sort of thing.

Admiral GRACEY. I would guess that they're getting much more than that. Because it's mostly by air, and bringing it in over the borders.

Mr. LEHMAN. Eastern Airlines brought almost that much in.

Admiral GRACEY. Last year was an all-time record by sea, and it kind of caught our attention.

Can I go back to the airplane thing for just a minute, Mr. Chairman? Did you mean when you asked about the Customs aircraft, if that would have an effect on us, the fact that their interdiction program was cut, did you mean was that going to mean more workload for us? Is that what you had in mind?

Or were you saying are we going to be cut down, too?

Mr. LEHMAN. It's more workload, if you have to extend yourselves to take up for the shortfall in the Customs interdictions.

Admiral GRACEY. To the extent that we would have to try to fill whatever gap was left, it will eat into our ability to go elsewhere. But mostly where it would hurt us the most is—Customs has given us a great deal of information about air drops at sea—that is, in the waters, when they drop within Customs' waters so someone can run out with a small boat from the beach, Customs has given us a lot of information on that and we've made some pick-ups that way, and we would lose that.

Mr. LEHMAN. Are you going to be able to do that under Gramm-Rudman?

Admiral GRACEY. Yes, sir, we'll be doing that despite the Gramm-Rudman Act.

CONTRABAND SEIZURES

Mr. LEHMAN. Would you update for the record the table included on page 13 of our Committee report showing contraband seized by the Coast Guard?

[The information follows:]

SEIZURES THROUGH 1/31/86

GENERAL LAW ENFORCEMENT CONTRABAND SEIZURES BY CALENDAR YEAR

		73 - 77	78	79	80	81	82	83	84	85	86	TOTAL
SEIZURES BY COAST GUARD	CASES:	83	146	110	149	173	232	262	366	292	14	1,827
	VSLS:	74	141	101	134	146	173	170	217	163	10	1,329
SEIZURES BY OTHER AGENCIES W/ CG ASSISTANCE	C:	46	32	25	20	22	54	26	51	40	0	296
	V:	41	32	23	17	21	28	21	33	29	0	250
MARIJUANA(LBS) BY COAST GUARD	C:	1,354,005	3,321,035	2,682,586	2,494,774	2,643,043	3,585,775	2,448,940	2,505,356	2,141,509	55,854	25,150,875
	V:	1,232,617	3,281,365	2,576,216	2,451,459	2,558,466	3,460,795	2,374,988	2,445,454	2,059,177	29,534	22,450,071
MARIJUANA(LBS) OTHER AGENCIES W/ CG ASSISTANCE	C:	364,173	326,829	353,950	279,607	183,990	194,073	91,988	265,666	177,877	0	2,238,153
	V:	345,098	326,829	353,900	227,446	183,890	165,173	81,944	258,021	168,012	0	2,110,313
COCAINE(LBS) BY COAST GUARD		64.00	0.01	0.01	0.00	40.00	9.56	46.20	1,965.92	6,106.67	1,852.40	10,085.57
COCAINE(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		4.40	0.01	0.00	10.01	96.10	828.01	1,000.01	75.00	735.70	0.00	2,749.24
HASHISH(LBS) BY COAST GUARD		3,700	0	43,550	564	34,580	0	29,962	1	2,099	0	114,456
HASHISH(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		6,139	1,100	1	168	0	18	0	0	0	0	7,426
HASHISH OIL(GAL) CG OR ASSIST		0	0	0	5	7	0	10	18	1	0	41
THAI STICKS(LBS) BY COAST GUARD		27315	0	0	12,625	0	0	0	1	0	0	39,959
THAI STICKS(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		0	5,500	251	0	0	0	0	16,000	0	0	21,751
DANGEROUS DRUGS (DOSES) BY CG		200	500,000	4,186,060	514,584	5,961,009	61,628	100	0	1	0	11,223,582
ARRESTS	TOTAL:	591	904	572	728	803	1,076	881	1,038	789	33	7,415
	CG:	447	776	463	649	737	988	835	822	711	33	6,561
VALUE OF CONTRABAND SEIZURES	TOTAL:	659.79	1,345.04	1,916.23	1,992.75	1,802.25	1,536.76	1,235.98	1,601.50	2,731.45	550.52	15,352.27
	CG:	526.38	1,207.56	1,701.93	1,793.90	1,663.08	1,236.96	923.78	1,429.92	2,463.20	550.52	13,477.21

NNBIS

Mr. LEHMAN. Last July, the GAO reported that the National Narcotics Border Interdiction System (NNBIS), a program to coordinate tactical strikes against drug traffickers, has fallen far short of success in reducing the flow of narcotics into the United States. What is your agency's involvement with NNBIS and how would you assess its effectiveness?

[The information follows:]

The Coast Guard provides a Captain to serve as the Director of the National Narcotics Border Interdiction System (NNBIS) Staff and a second experienced law enforcement officer to work on the Director's staff. The Coordinators of the NNBIS centers located in Miami, New Orleans, Long Beach, and Honolulu are the local Coast Guard District Commanders. Coast Guard captains also serve as Deputy Coordinators for the centers in Chicago and New York. The Coast Guard has provided staff personnel for all seven NNBIS centers. The Coast Guard's role, beyond the personnel and office space supplied to NNBIS, is to react to NNBIS recommendations by actually moving resources to interdict the smugglers.

The NNBIS has proven to be a useful, positive vehicle in fostering interagency coordination and synergism. Intelligence information gathered by various agencies is used to determine the most effective use of available resources. NNBIS focuses on the macro view of drug interdiction. NNBIS's forte has been in the establishment of coordination and cooperation between agencies. As such, NNBIS has been the key to planning several successful multiagency, multinational operations, including HAT TRICKS I and II in the Caribbean and Blue Lightning and Thunderstorm in the Bahamas. These operations required the coordination of many U.S. agencies and the cooperation of several foreign governments. These operations demonstrated the effectiveness of coordinated efforts in interrupting the flow of drugs into the country.

COAST GUARD PRESENCE ON NAVY VESSELS

Mr. LEHMAN. The fiscal year 1986 Department of Defense authorization act provided $15 million for 500 additional Coast Guard personnel to be assigned to certain naval vessels. What is the status of the implementation of this provision—how many personnel have been assigned to naval vessels, what criteria are used in making these assignments and what do their duties involve?

Admiral GRACEY. Well, their purpose is solely as a drug interdiction team, because Navy officers and petty officers can't enforce the law. Our people can. And that's the only purpose of our being there. While Coast Guard people are there, they train the Navy crews in boarding techniques from small boats and that sort of thing, because they don't do that and we do.

And there's training in law enforcement while they're enroute. I don't know what other duties they are called upon to perform, but their primary function is to be the boarding party, the law enforcement muscle of that Navy ship.

We don't have the $15 million yet, but we expect that it will come soon. We got caught up in that business of how to transfer the money. But I can tell you that during Operation Hat Trick that I referred to—the one that's been going on since November—we've had about 200 people assigned to Navy ships, Coast Guard people.

What we've done is pull them off other units, and bring them down there temporarily. We do not want to assign our people permanently on the Navy ships. We would have a nucleus of them in big Navy home ports and as a ship was going to deploy into an area where there is smuggling we will put a team aboard. But if we

assign them permanently, they would spend a lot of time just not being very useful at all in law enforcement.

Mr. LEHMAN. Just sitting there.

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. What is your position regarding this provision? How much are you requesting in your 1987 budget and are these funds contained in your budget of the DOD's?

Admiral GRACEY. In 1987, Mr. Chairman, the billets are in our budget but the dollars are reimbursable.

My position is that it makes a lot more sense than the suggestion of trying to get the Navy directly involved in law enforcement. I do not think that was a good suggestion.

7TH DISTRICT PROSECUTIONS

Mr. LEHMAN. To what extent has the government been successful in prosecuting and convicting those arrested by the Coast Guard for drug violations?

[The information follows:]

The government has maintained a good record when prosecuting and convicting those individuals arrested by the Coast Guard for narcotics violations. The following table shows the success rate in the Southeastern United States:

SEVENTH DISTRICT DRUG PROSECUTIONS[1]

	CALENDAR YEAR			
	1982	1983	1984	1985
INDIVIDUALS ARRESTED	780	731	937	660
STATE PROSECUTIONS	11	2	7	17
FEDERAL PROSECUTION				
- INITIATED	602	576	751	545
- AS % OF THOSE ARRESTED/SEIZED	77%	79%	80%	83%
TRIED/PLED IN FED COURT				
- NUMBER	592	521	560	198
- AS % OF PROSECUTIONS INITIATED	98%	90%	75%	36%
FEDERAL CONVICTIONS				
- NUMBER	527	444	508	186
- AS % OF THOSE TRIED/PLED	89%	85%	91%	94%

Notes:

1 - As of December 31, 1985. Approximately 80% of all Coast Guard drug seizures occur in the Seventh District. Prosecutions initiated and their outcome are reported in the same calendar year as the arrest, even if the trial/plea/conviction/acquittal took place during a later year.

DRUG TRAFFICKERS CONVICTIONS/SENTENCES

Mr. LEHMAN. You have commented that you have busted some of the same people three and four times. This would seem to indicate that these drug violators either are not being convicted or not being sentenced severely enough to deter future attempts at drug smuggling.

What do you see as the problem in this area?

Admiral GRACEY. I do not know how to comment, Mr. Chairman. We are pleased with the conviction rate of those who go. I would need to know the basis of which—for example in 1985, there were only 6 percent of those who went to trial who did not get convicted, and I would need to know why they did not get convicted before I got too alarmed about it.

My understanding is that the reason this has dropped off, or one of the reasons, is that we have got some glitches in the law which make it hard to prosecute. I mentioned the fact about the hidden compartments and that plea. So while the prosecution rate may have dropped off, the conviction rate has not.

Mr. LEHMAN. That is your own quotation from this magazine article.

Admiral GRACEY. What did I say, sir?

Mr. LEHMAN. You said that, "busted some of the same people three and four times."

Admiral GRACEY. I remember that now, sir. Yes, and that is true. I think I was talking about the way it used to be in the old days. I am not sure that applied to the current situation, except for some foreigners.

Mr. LEHMAN. It was in the Armed Forces Journal of January of this year.

Admiral GRACEY. Yes, but what I mean is that it used to be that way, and now the courts are getting tougher. Did I not say that?

Mr. LEHMAN. I will read the whole paragraph. "I would hope that we would crack down in the courts and start locking these guys up, putting them away so that they do not come back out. You know we have busted some of these same people three and four times."

Admiral GRACEY. That is correct. And some of them, the foreign nationals get sent home. It is the way that it has been, and I do not know what the current situation is.

They were sending foreign nationals home and they would get on another boat and come back again, and then we would seize them, and then back they would go, and they would come back again.

Mr. LEHMAN. What is the answer?

Admiral GRACEY. I do not know what the answer is, but in the emotion of the interview, that is what I was saying, lock them up and throw the key away.

But then that compounds the problem. Now, the Gramm-Rudman-Hollings problem is how to pay for the prisons. I guess we are going to privatize those and we will have it made.

7TH DISTRICT DRUG SEIZURES

Mr. LEHMAN. Would you update for the record the information related to the 7th District drug seizures which was contained on pages 756 and 757 of last year's hearing?

[The information follows:]

COAST GUARD CONTRABAND SEIZURES

CALENDAR YEAR	1982	1983	1984	1985
CASES:	232	262	366	292
VESSEL SEIZURES	173	170	217	163
MARIJUANA SEIZED (lbs)	3,525,755	2,448,940	2,505,356	2,141,509
COCAINE (lbs)	9	46	1,967	6,512
HASHISH (lbs)	0	29,962	1	2,099
ARRESTS	988	835	922	711

The above are Coast Guard-wide statistics and do not include those cases where the Coast Guard assisted other agencies.

SEVENTH DISTRICT DRUG PROSECUTIONS[1]

	CALENDAR YEAR			
	1982	1983	1984	1985
INDIVIDUALS ARRESTED	780	731	937	660
STATE PROSECUTIONS	11	2	7	17
FEDERAL PROSECUTION				
- INITIATED	602	576	751	545
- AS % OF THOSE ARRESTED/SEIZED	77%	79%	80%	83%
TRIED/PLED IN FED COURT				
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- NUMBER	527	444	508	186
- AS % OF THOSE TRIED/PLED	89%	85%	91%	94%

Notes:

1 - As of December 31, 1985.

2 - Approximately 80% of all Coast Guard drug seizures occur in the Seventh District. Prosecutions initiated and their outcome are reported in the same calendar year as the arrest, even if the trial/plea/ conviction/acquittal took place during a later year.

3 - These statistics include those cases where the Coast Guard assisted other agencies.

COLOMBIAN/CARIBBEAN DRUG INTERDICTION SUMMARY

Mr. LEHMAN. Last fall you participated in a major effort to shut off the flow of cocaine, marijuana, and other drugs from Colombia and three Caribbean nations.

What level of effort, in terms of vessels, aircraft and personnel did you devote to this operation, for what time period, with what results, and with what consequences on your other missions?

[The information follows:]

For several months, the Coast Guard has been conducting extensive winter operations in support of Operation Hat Trick II, which was coordinated by the National Narcotics Border Interdiction System (NNBIS). The primary objective of our winter operations is to deny the Caribbean sea routes to smugglers. The actual time frame of the operation remains classified, as do many other details. However, during the first four months we had between eight and ten Coast Guard cutters and one sea-based aerostat on patrol at all times. Between five and nine U.S. Navy ships were also on patrol at all times, most of which had five and six person Coast Guard law enforcement teams aboard. At the same time, 32 hours of Coast Guard aircraft flight time was conducted daily to detect potential smugglers. These flights were complemented by Navy surveillance flights. In addition to the crews permanently assigned to the cutters and the flight crews, as many as 125 personnel at a time were temporarily reassigned from their regular duties to the operation as law enforcement teams aboard Navy ships as well as to augment intelligence staffs, provide in-country liaison, and as the squardron commander's staff.

During the first four months of the operation, we were successful in barricading the north coast of Colombia and preventing the movement of drug laden motherships. We also applied pressure in the waters surrounding Jamaica. As in the previous year's Operation Wagonwheel, smuggling organizations virtually ceased maritime operations as soon as our presence was known. The number of Maritime seizures fell dramatically and the seizures we did make were of relatively small quantities of marijuana. Intelligence showed a shift to other modes, including an increase in air smuggling activity. Nevertheless, we did seize 31 vessels carrying 412,331 pounds of marijuana and 2,253 pounds of cocaine, and made 141 arests. A more complete assessment of the results of the operation can not be made until the in-country seizure results and post-operation intelligence reports are available from NNBIS and the Hat Trick II participating agencies.

Even with the large number of units committed to the operation, we have been able to meet our other mission requirements, including searching for debris from the Space Shuttle Challenger and interdicting 997 illegal migrants from Haiti. However, because of maintenance, training and other requirements, our resources are available for operations for only a certain portion of the year. Using a large amount of this time all at once will have an impact on our capability for future operations during the year in terms of maintenance, funding and staffing.

AEROSTAT STATUS

Mr. LEHMAN. How many AEROSTATS radar systems do you currently have in operation and how effective have these been?

Admiral GRACEY. There is one operating now, and as I mentioned this morning, we had two, but we did not renew the lease for the second one, There are two more being delivered in the next month or two.

A-76 CONTRACTING

Mr. LEHMAN. You are again reflecting savings as a result of your contracting out certain functions to private industry. In your fiscal year 1986 justifications you estimated savings of 190 military and 143 civilian positions as a result of contracting out under OMB Circular A-76.

What is the status of your A-76 reviews regarding these projected personnel savings?

Admiral GRACEY. Well, the A-76 program is really going along very nicely, Mr. Chairman. We have completed over 90 reviews or will have in the next few months. And 39 of the activities that we looked at were converted to contract with over 300 military and 50 civilian positions. We still have about 46 more to go and we will be looking at over 1,000 positions this year. We figure we will contract out about 670.

Really we are very pleased. In terms of savings to the Government, somewhere in the order of $7 million for 1986 and in the five years, about $44 million. That is not an out-of-pocket saving to us because that takes into account long range retirement commitment and all of that.

Mr. LEHMAN. How many of those 190 military and 143 civilian positions have actually been eliminated as a result of the A-76 reviews, and what dollar savings is associated with these positions?

[The information follows:]

A-76 reviews that will achieve the fiscal year 1986 budget savings of 190 military billets and 143 civilian positions are primarily continuations of reviews started in 1985. We are making steady progress and expect to meet the anticipatory 1986 reductions by the end of the fiscal year.

Mr. LEHMAN. What activities do you find that it is cheaper to contract out?

Admiral GRACEY. Cheaper? So far we have been looking at things like food service, electronic maintenance, security, and grounds maintenance. Those are the areas where it works out pretty well. It is not always cheaper. We have found a couple of things, like running the Governors Island Ferries in New York, where bids were 40 percent over the government cost.

Mr. LEHMAN. I had lunch at your base in Miami. Was that a contract food service lunch?

Admiral GRACEY. I do not know whether that one has been converted or not, yet, Mr. Chairman, but a number of those have been. If it was not, it probably will be in this coming year.

And that is working out very well so far.

Mr. LEHMAN. You are reviewing these contracts. What is the status of these reviews?

Admiral GRACEY. Yes, sir, and the status is that they have been awarded. The big overall national food service contract was awarded in November.

PLACEMENT OF EMPLOYEES AFFECTED BY CONTRACTING OUT

Mr. LEHMAN. How successful have you been in placing your civilian employees whose jobs have been eliminated by A-76 reviews?

Admiral GRACEY. Well, it has been a mixed bag. So far, 32 civilian positions have been reduced. That was through the first quarter of this year. Nine of the people went to work for contractors, which is to say they got first right of refusal. And four of them were relocated in the Coast Guard. Three retired, and eight went out involuntarily.

So, it is about a 75 percent success rate, I guess.

STATUS OF FUTURE A-76 PERSONNEL REDUCTIONS

Mr. LEHMAN. Your fiscal year 1987 budget projects that an additional 161 military and 70 civilian positions will be eliminated by A-76 contracting out in fiscal year 1987.

What is the status of the A-76 reviews regarding these positions?

Admiral GRACEY. We have figured that we are going to have a running start on that one, Mr. Chairman. I am jumbled up right now, on the numbers between last year and this year, but this year, 1987 is going to be the end of our anticipatory reviews, I understand. After that we are just going to go with the ones that we have already done. We are figuring that we are going to have about 46 more things to do in 1986, and that is when we are going to get into that 1,100 positions I was talking about. We can see about 100 or 231 FTE's so far and we fully expect to have it all done by the end of the year.

Mr. LEHMAN. Are you confident that you can achieve the personnel and dollar savings estimated by your budget request without affecting the productivity of the agency?

I also would like to use the word, "morale of your agency" also.

Admiral GRACEY. Under the A-76, sir?

Mr. LEHMAN. Yes.

Admiral Gracey. We will only go with a contractor if it is less expensive and the productivity will not be hurt. We also have a program in place to look at career opportunities and the impact on them, and the impact on our ability to do our job and to manage our force.

I think last year, I may have mentioned the parameters we have established so we do not all of a sudden find ourselves having gotten rid of too many people of one particular kind of skill. But when you go into something like national food service contract . . . the impact on morale amongst the cooks, for example, who would get rotated from one place to another is affected. Many of those were good duty stations and create opportunity to rotate from ship to shore. Some of them were disappointed . . . it took a big chunk out of the force. To that extent it is hurting morale and, of course when a civilian loses his or her job, it is not good for his or her morale either.

I do not notice that it is having a destructive effect. We have tried to head that off at the pass.

Mr. LEHMAN. Thank you, Admiral Gracey. Apparently we did not make as much progress as we hoped to today. We will probably have to do some afternoon time tomorrow.

We will adjourn now until 10:00 a.m. tomorrow.

Admiral GRACEY. Thank you, sir.

THURSDAY, FEBRUARY 27, 1986.

Mr. LEHMAN. The Committee will come to order.

We will start off with privatization, unless there is anything you wish to comment on prior to the questions?

Admiral GRACEY. No, sir, except to say I'm sorry if I gave you grief yesterday through the jousting we had to do. We will be working together with you on all that, sir.

Mr. LEHMAN. We will try to work something out so that we can be helpful to each-other.

Admiral GRACEY. Did you understand, Mr. Chairman, that a no-growth supplemental may come, and I fully expect it will. We are talking about some lesser number than the $142 million or the full Gramm-Rudman-Hollings $76 million. The question is how big is it going to be. When we know that, we will be able to talk with you, sir, and give you the kind of detailed information you want. I understand your concern, and we will be happy to provide what we can.

PRIVATIZATION OF CERTAIN COAST GUARD ACTIVITIES

Mr. LEHMAN. In the past two years we have discussed the Grace Commission's rather large, and in your view unrealistic, estimates of savings which could be achieved by privatizing certain Coast Guard activities, such as non-life threatening search and rescue, aids to navigation, and commercial vessel safety. Since privatization appears to be one of the major themes of the President's budget, do you intend to increase your efforts in this area?

Admiral GRACEY. We intend to continue it, Mr. Chairman. The Coast Guard does have some major A-76 reviews coming up this year. Up to now, the reviews we have been doing have been relatively small kinds of things, relatively straightforward.

This year, we are going to, look at going into the "BOSS" concept. BOSS, that is in quotes, B-O-S-S, and it is a system for having contractors operate entire bases. There are some other examples. We are into third party delegations, aids to navigation contracts, working with volunteer rescue groups. We have AMVER, which is the international merchant marine, cooperative rescue program we run. Oil spill cleanups are all done with private people, where possible. The AEROSTAT ships are being leased; they are not Coast Guard ships.

My nonemergency assistance policy and domestic icebreaking policies are both examples. We are always looking for opportunities—and always have. The problem is, there are a lot of things we must do, because the private sector either cannot, or should not. So we are trying to keep a proper balance and not do any more than we have to, but keeping the resources we need to do those things we must do . . . to also use the taxpayer's investment in our multi-mission people and hardware to the best advantage.

The simple answer is, we intend to keep looking for opportunities.

COMMERCIAL SEARCH AND RESCUE

Mr. LEHMAN. Last year, you indicated that in the Los Angeles area, about 6 percent of your search and rescue cases were being referred to commercial firms.

What is the current situation in the Los Angeles and Miami areas as well as throughout the rest of the country regarding private sector assistance for your non-emergency search and rescue cases?

Admiral GRACEY. I do not have the figures from Miami, Mr. Chairman, but I would guess they are probably not much different from Los Angeles, in the sense of boating populations, they are very much the same.

The Los Angeles area is running about 7 percent. The 11th District, which is all of southern California, is about 5 percent. Nationwide, it is about 3 percent.

Mr. LEHMAN. Does emergency mean life-threatening and nonemergency mean non-life threatening?

Admiral GRACEY. Yes, sir. In fact we do not use the term "nonemergency rescue". If a "rescue is involved, the case cannot be "nonemergency". We use the term "nonemergency assistance." Those are the cases where there is no foreseeable threat to life. Some cases have a relatively minor threat to life; some of course are clearly major.

Mr. LEHMAN. Did not a recent IG report indicate that you could refer additional search and rescue cases to commercial firms?

What actions have you taken as a result of this report? But just to go back to my prior question, for the record, could you give us some percentage for Miami and L.A.?

Admiral GRACEY. Certainly, sir.

[The information follows:].

The Coast Guard did not concur with the IG's findings and recommendations. All non-emergency cases are referred to commercial operators where such services are available. Less than 25% of Coast Guard SAR cases are non-emergency. When considering the number of firms available and qualified to assist, and the issues noted in the Coast Guard's non-emergency assistance policy such as the need to maintain professional competency, impending darkness or forecast bad weather, questionable or value judgment cases, etc., the percentage is reduced considerably. It should also be noted that a large majority of cases eventually evaluated as non-emergency (hoaxes, personnel-only, land-only, false alarms, etc.) have no application or financial benefit to a marine salvor. The IG report pends resolution by the Deputy Secretary of Transportation. In FY 1985 six percent of the cases in the Los Angeles area were referred to commercial firms and 12 percent in the Miami area. Clearly, in regions where private firms are operating, the Coast Guard is fully implementing the policy.

IG PRIVATIZATION REPORT

Admiral GRACEY. As I remember the IG report, it said that we should expand the use of commercial contractors, and we should revise our procedures so that we encourage people to get into business. In terms of actions taken on the IG report, we really have not done anything in response to it because we had a full procedure in place, and the procedure is not optional with our local people; it requires that if there is a qualified firm, with qualified people and equipment available to handle a case at hand, they must be used.

We do not think that we should be in the business of going out and trying to encourage people going into the business. For one thing, it is a marginal business; it depends on where you are.

But you are into a Catch-22. With the equipment and people. Properly qualified people and the right equipment come pretty expensive, and in most locales, an average of two cases a day is high.

If we have a station with 730 cases a year, we consider that high. But it does not come at two a day; they all come on weekends so you have to have more people, and they are sitting idle in between.

So in many places, people are not finding it a profitable business, unless they have something else to do with their equipment and people. The coast Guard does have lots of other things to do between cases and in slow periods.

AIDS TO NAVIGATION PRIVATIZATION

Mr. LEHMAN. Last April it was reported that you intended to contract with private firms on a trial basis for servicing 1,370 aids to navigation in five locations. Those are mostly buoys that you are servicing?

Admiral GRACEY. Yes, sir.

Mr. LEHMAN. What is the status of this program?

Admiral GRACEY. First, buoys that we are talking about in the trial contracting program, but we have contracted for construction, and that sort of thing, for a long time, of the shore structures, shore aids.

We started off with five waterways designated. Some question arose in the Congress about one. At the moment we are going forward with four. If the contract has not already been awarded it will be, relatively soon on one of them.

They issued their proposal in December, and the others are coming along behind. So we have four areas going heavy that we expect to award this year.

Mr. LEHMAN. Can you, for the record, give us some indication of how much money you are saving?

Admiral GRACEY. We will not know, of course, until the contracts come in. We are not sure we are going to save money; we really do not think we will. We did a detailed study some three years ago and our conclusion was that we will not save money.

We know for a fact, from an unsolicited proposal we had three years ago. We had the would-be contractor's figures in hand, right after Hurricane Alicia went through the Houston-Galveston area. And we know that if the contractor had had that job instead of us, it would have cost the taxpayers two-thirds of a million dollars more to get the recovery job done, than it cost us. That illustrates one aspect we are concerned about.

Mr. LEHMAN. If you cannot save money, it really will not justify itself, will it?

Admiral GRACEY. No, sir, we do not think so, but we have been directed by the Congress to do it, on a trial basis, and that is what we are going to do.

We have picked waterways that will give us a good spread of climate, types of traffic, types of conditions. We think it will be a

good test of whether it will or it will not save money, and of the quality of performance.

We are not going to let a contract go if it will not provide quality performance. Most of them require us to prepare the buoys and maintain them, and that sort of thing.

We have already lost the people, by the way, in anticipatory cuts. The people have gone, so it remains to be seen. But we are very doubtful, particularly if you get an emergency situation. There is no way a contractor can afford to have the stable of equipment and inventory of buoys, and parts, and flashers, and all that sort of thing, and to be able to bring in resources from all over the country. We can draw on a national network. They will all be regional contractors, most of them.

Mr. LEHMAN. Give it an honest effort and see what happens.

Admiral GRACEY. Exactly, sir. That is our intent.

COMMERCIAL VESSEL INSPECTION PRIVATIZATION

Mr. LEHMAN. In last year's hearing it was indicated that your third party commercial vessel inspection agreements with the American Bureau of Shipping and National Cargo Bureau were working very well.

How much of your commercial vessel safety work has been delegated to these two organizations and what savings have resulted?

Admiral GRACEY. Well, I cannot tell you a specific savings, Mr. Chairman. I will try to provide a figure for the record, and likewise, degree. I can tell you the kinds of things that we are doing.

I know it has contributed to our using our people in the more critical areas to provide oversight for these people, and we have drawdown in the program over the last two to three years by several hundred people and the work is still getting done. We can convert that to numbers. I am just not aware that we have done it yet, and I will try to provide that for the record.

Mr. LEHMAN. Mr. Coughlin, if you have any questions I will yield to you; if not I will just keep going for a while.

Mr. COUGHLIN. Thank you, Mr. Chairman. I do have a couple of questions.

Mr. LEHMAN. Mr. Coughlin.

FOREIGN SEARCH AND RESCUE

Mr. COUGHLIN. Do I understand, correctly, that in Britain and Western Europe, they do provide search and rescue operations on a private basis? Could you comment on how they do that and how successful that is?

Admiral GRACEY. Yes, I can. The example most often cited by the one particular group that is proposing a major privatization of the Coast Guard is the Royal National Life Boat Institute of Great Britain, which is certainly one of the best in the world. They are good.

Their equipment is bought with private funds. However, they do not provide their own communications; that is done by the government.

They do not fly airplanes; they do not operate ships. It is small boats. And their coast line is the coast line of Great Britain. Rela-

tive to that, the area of U.S. Coast Guard responsibility is just not comparable, not only in size but in scope of climate, sea conditions. Obviously, Great Britain has horrible storms, but they do not range into the tropics, and into the Alaskan type regions.

Mr. COUGHLIN. The North Sea is no picnic.

Admiral GRACEY. No, sir, and I would not belittle that at all, but they do not operate very far into the North Sea. We are talking about life boats. But I am not putting it down. The point is that they do not range from arctic to tropic as we do.

We certainly have by far the largest coastline in the world, and in our area of responsibility, by far the greatest overall volume of activity in the marine environment. The scope of responsibility is really not comparable with ours.

RNLI is more comparable to our Coast Guard Auxiliary, although they have specialized equipment that is like our professional equipment—our rescue boats.

A couple of years ago I went to the International Life Boat Conference, where countries from all over the world had brought boats, and there was some fine equipment.

Some of it is government; some of it is volunteer. But they are all dealing with relatively small coastlines. The Netherlands, for example has a relatively small coast line and they work relatively close in. They are designed to keep people off the rocks. And of course none of these agencies do the other things with the boats that we do.

They do not enforce laws; they do not maintain the aids to navigation; they do not have a military defense responsibility. They are simple not comparable organizations.

They only do rescue work.

SEA RESCUE CLEARWATER, FLORIDA

Mr. COUGHLIN. Could you also comment on such things as U.S. Sea Rescue in Clearwater, Florida, which I understand offers a search and rescue service on a basis similar to the American Automobile Association, for example.

Admiral GRACEY. I did some looking into that on behalf of one of your colleagues and because of some newspaper pieces based on some writing that suggests whole sale privatization of the Coast Guard. I do not know if you have had a chance to read my response to that, but I will be happy to provide it to you. It is about 30 pages and does speak to the whole issue of privatization of the Coast Guard in all aspects. The title is, "A Question Of Balance." I have also written a companion piece called, "Babies and Bathwater."

U.S. Sea Rescue started out very ambitiously, even to the point of painting its boats with stripes like ours, and wearing uniforms like ours, and putting "United States Sea Rescue" on the side. At one point we threatened them with a lawsuit because we thought it was not proper for them to do that. But nonetheless, they went into business. They had a grand plan, and they operate in a prime area. They are in the Clearwater area in Florida.

For the very reasons I was citing to the Chairman a few minutes ago, my understanding is that they have not been able to make it go.

The Catch-22 I was referring to—you know, you invest a lot in equipment and a lot in people, and you have to keep them busy.

And you remember, when you asked me about privatizing, I mentioned that we are trying to keep a balance to make sure that we use the investment in our equipment well, keep it occupied.

Now the investment in our equipment is for emergency work, law enforcement and defense-related work. It is not for nonemergency work, but we can do some of that essentially for nothing, because the units are in place for their real missions. Because we have those other missions to fill up the time in between cases, we can get a full return on our investment. The private sector cannot do that.

And the more ambitious a firm gets, in the sense of trying to go into heavier SAR, the bigger the Catch-22. The investment is higher, the number of cases lower. That is why—for example—in the United States today, you will not find any sea-going salvage tugs. There was a time when there would be salvage tugs at the dock ready to sail when somebody needed help.

You will not find that anywhere in the United States today. There is not one towing firm that has that, because they cannot afford to.

So there is room for these commercial boater assistance firms. We need all the help we can get, and we complement each other very nicely. We work together—with them and with volunteers.

There are other factors that come into the cost, too. There is the liability insurance that the firms have to have.

There is the cost not only of the equipment they buy, but in that kind of work there is a great opportunity for damage. You will lose a pump; somebody will drop something; or you will break a tow line. That all has to be replaced and it costs money, and again it raises the costs.

It is an expensive business. Nobody could afford to do just that, I do not think.

COAST GUARD LIABILITY CLAIMS

Mr. COUGHLIN. Could you comment on the Coast Guard's liability insurance.

Admiral GRACEY. Well, their liability——

Mr. COUGHLIN. Do you get sued often?

Admiral GRACEY. No, not very often, but we do from time to time. There is a claims and litigation process to deal with most cases, but we do, sometimes, get sued, if somebody feels that we have not handled a given case well.

As I understand it, the premise is that it is optional on us whether we take a case or not. We do not consider it optional; we consider it a duty.

But in law it is—but once we undertake it, we have to do it right and we have to do it well. If we do not, then we are subject to liability.

We have had some suits and we have lost some; most of them we have won. It gets into whether you were negligent or not, and most of our people are not.

Mr. COUGHLIN. What kind of claims did you pay out on last year? How much did you pay out in claims last year?

Admiral GRACEY. Last year, I—of course we get into it in aids to navigation, too, but I do not know. We will have to provide that for the record, sir. But my impression is not very much—I do not even remember a case last year. We will look, sir, and put it in for the record.

[The information follows:]

The Coast Guard is currently defending about twenty four cases, in litigation, arising from allegedly negligent search and rescue operations. The amount of money being claimed is somewhere around 50 million dollars a year. An accurate figure cannot be determined because many complaints are vague in setting forth a damage amount being sought.

Although there is no prerequisite for filing an administrative claim prior to litigation under the Suits in Admiralty Act or Public Vessels Act, administrative claims are occasionally recieved as a result of allegedly negligent search and rescue. Precise figures are not available for the relatively minor claims of this sort which are administratively adjudicated primarily by Coast Guard district commanders pursuant to delegated authority, but we estimate that such claims result in payment of approximately $50,000.00 a year. Our records indicate that litigation losses in 1984 and 1985 were $228,376.00 and $1,002,970.00 respectively.

SEARCH AND RESCUE REFERRALS

Mr. COUGHLIN. And, of course, on the private firms, if the Coast Guard does not refer the cases to them, why, it is sort of self—they are going to have a tough time.

Admiral GRACEY. Well, I know that, sir, but the pure bald fact of the matter is that we have an established policy which requires us to refer cases to them and we do if they are in the area; if they are not there, then we cannot refer cases to them.

The same writers you are talking about, also refer to a group up in Casco Bay in Maine. I think you probably read, a piece that was in the Philadelphia Inquirer—"So Who Needs The Coast Guard?" was the headline. I will give you a detailed response to that article any time you wish.

It might be a good idea to put my response in the record, as a matter of fact. That one is not the 30 pages; it is only about 3 or 4 pages, and it speaks to the points made.

[CLERK'S NOTE: The information referred to was provided to the committee.]

But that group in Casco Bay was formed because our nearest rescue capability was about an hour away, and they tried to mount a search by themselves while we were getting there. They did not know how to do it and asked us if we would help them prepare for future emergencies. We have trained them, shown them how to conduct searches; we run exercises with them, and we work very cooperatively with them. They now handle a lot of work for themselves and do not wait for us, and we do not have to run up there. We can concentrate on the areas closer to where we are.

That is an example of how this balance, this cooperative arrangement I spoke of works very nicely. Is there any indication to the Committee that we have not been referring cases?

Mr. COUGHLIN. As a matter of fact I hear you referring cases on my radio.

Admiral GRACEY. Thank you, sir. It is a source of some antagonism among boaters, as you can imagine, but that is our requirement.

COMMERCIAL VESSEL SAFETY/VTS PRIVATIZATION

Mr. COUGHLIN. Let me just ask you to elaborate a little bit on the question of privatization of things such as commercial vessel safety inspection and vessel traffic systems.

Admiral GRACEY. In the matter of commercial vessel safety, we are doing that to the extent that we can, through third party delegations.

We are using the American Bureau of Shipping and the National Cargo Bureau, and we have been approached by some other classification societies about doing business in the United States. We are looking into the law on that. We have two memorandums of understanding with the American Bureau of Shipping. The National Cargo Bureau was created because of a cooperative effort between the Coast Guard and the private sector many years ago, to create a group of specialists on such things as grain and hazardous shipments. It is a nonprofit organization, and there has been a very close partnership for years.

There is some question about whether we should go further. We have some problems to work out before we go further. One is, we want to be sure we are able to provide proper oversight.

We want to be sure we do not go too far, too fast.

There was some criticism after the Marine Electric sinking that we were not providing proper oversight. We are doing that now.

The second problem is that it is a de facto user charge, when you hand off. It is not a major problem but it is something to be dealt with. The third problem is, that there is a potential for the perception of conflict of interest. Because these people are paid by the companies where ships and cargoes they check, they are working for the people they are reviewing. We have never seen any sign of a problem. We are not suggesting that it is there; but there is concern about it. So that we are advancing, cautiously, into extending the delegations.

On the subject of vessel traffic services, there is no question that a private firm could have somebody sitting, looking at a radar scope and saying yes, there is target A and there is target B. I am oversimplifying the situation, but I cannot argue that people in the private sector cannot do that.

The problem is that from time to time you get into the exercise of governmental authority and governmental discretion. That vessel traffic service is an agent of the Coast Guard Captain of the Port. Given an emergency situation, the man on watch will give an order with the authority of the United States behind it, and it must be obeyed. If it is not, there are strong penalties.

We do not do that very often, but it is there. Furthermore, in a war-time scenario, they are providing surveillance of the harbor entrance, a very important part of the program.

They also assist in search and rescue cases by providing direction. They can see what is happening out there with their excellent radar and closed circuit television. Many countries of the world

started off by having the ports do it for themselves. Sometimes private. Almost all of them have gone to having the government do it because it does get into government authority sooner or later.

Mr. COUGHLIN. Thank you, Mr. Chairman.

LONDON OFFICE FUNCTIONS

Mr. LEHMAN. Last year, the Committee expressed some concern about your Activities Europe office in London, England.

According to the information provided to the Committee, this office had been responsible for commercial vessel safety and Loran-C in Europe. However, in 1982, the commercial vessel safety function for Europe was moved back to the United States.

What are the major remaining responsibilities of this office?

[The information follows:]

The major responsibility of Activities Europe, aside from the day-to-day command and support responsibility for the Department of Defense required European Loran stations, is military in nature. In peacetime, Commander, Coast Guard Activities Europe functions as an advisor to Commander-in-Chief, U.S. Naval Forces, Europe. In the event of a mobilization, he would become Commander, U.S. Coast Guard Forces, Europe, with additional military functions as per classified plans. He would also be responsible for the execution of all Coast Guard programs within the U.S. European Command as might be required, including possibly the resumption of Commercial Vessel Safety and Port Safety and Security activities. The London office provides a location which in time of war would facilitate the coordination of the rapid expansion of Coast Guard Forces to operate all European Loran stations and meet other defense related requirements.

In addition, the Activities Europe office is responsible for engineering support for OMEGA radionavigation system stations in Liberia, Norway, Argentina, and La Reunion Island. The office also works directly with a number of international maritime safety organizations to further U.S. interests. These include the International Maritime Organization, the International Lifeboat Conference, and the International Association of Lighthouse Authorities. The office also maintains liaison with Trinity House (the British aids to navigation servicing organization), the Royal National Lifeboat Institute, and the British Coast Guard.

LONDON OFFICE STAFFING

Mr. LEHMAN. At a time when all agencies are being asked to choose between the necessary and the essential, why do you feel you need to maintain 29 positions in this office?

[The information follows:]

The 29 positions in the Coast Guard Activities Europe office are essential. First and foremost, the Commander, Activities Europe is the commanding officer of the Coast Guard personnel manning the European Loran stations. The commanding officer is, of course, responsible for the safety and well-being for the personnel under his command, and the staff provides the personnel administration functions required to fulfill that responsibility.

This staff also provides centralized, consolidated support for the Loran-C stations, thereby avoiding a duplication of effort which would result in higher manning levels than presently exists at each of the individual stations. The staff functions as the European Regional Manager and Chain Manager for the three European Loran-C chains. As such, the staff ensures that equipment is being properly maintained, that proper operating doctrine is being observed, and that adequate training levels are being maintained at the stations. In addition, the staff provides required technical assistance that is beyond the capabilities of station personnel. Technical assistance is provided to Host-nation manned stations as well.

The staff provides a civil engineering support role for the full range of buildings, engineering plants, land, and transmitting towers at the Loran stations for which it is responsible. Assistance is also provided to Partner-nations (Norway, France, Liberia, Argentina) which operate OMEGA stations as part of that world-wide radionavigation system. The engineering staff is not fully self-supporting, and thus maintains

a liaison role with European-based engineering firms and contractors that perform much of the actual engineering work.

The London office acts as a comptroller for the entire European Loran system, having responsibility for logistics, the maintenance of accounts, and the procurement of equipment, supplies, and services for the stations.

The staff has defense readiness responsibilities in addition to its administrative and support functions. The London office is closely involved with contingency planning with Department of Defense European commands. It has designated wartime responsibilities, in addition to its regular peacetime liaison role.

The London office also provides liaison with various European and international maritime safety and navigation organizations.

The 29 people assigned to the London office are the minimum number required to meet the responsibilities described above.

RECRUITMENT PROBLEMS

Mr. LEHMAN. Last summer, it was reported that the number of new recruits fell 35 percent below your goals in the 5th district.

Three reasons were cited for this: (1) a shrinking recruitment pool of high school graduates; (2) talk about reducing military retirement benefits, and, (3) better opportunities in the private sector.

To what extent are the recruitment difficulties of your 5th district being experienced by other Coast Guard districts?

Admiral GRACEY. Well, the problems you have cited in the question, Mr. Chairman, are endemic for all the armed forces, and all are finding a need to step up their recruiting activity. It is an up and down situation.

Some districts—for example—our 13th district is over quota all the time. Incidentally, the 5th district that you cited—35 percent below, goals would be 65 percent of quota. They wound up the year at 91.1 percent. So it was a temporary glitch.

Mr. LEHMAN. Do you have any TV spots like the other uniformed services have?

Admiral GRACEY. No, and it is a sore point with our people, among other things, that they talk about the armed forces and do not mention us. That was a conscious decision made in the Coast Guard some time ago because we simply cannot afford the cost of those spots.

Mr. LEHMAN. I thought they were public service spots.

Admiral GRACEY. No, sir. If they were public service, we would be in them. They are funded spots. There was a price tag, I understand, of $5 million on that, when it was originally made, and we simply cannot afford to get into that. We were invited but we could not do it.

We are using public service spots, and we have had two that have won television awards because of the quality of them. We have found that for every one of those announcements we will get about a thousand leads, every time that airs. And sometimes it is 2:00 o'clock in the morning; you know how public service things go.

But they are really well done. We will get about a thousand leads, and from those, we will get about, oh, maybe a hundred and fifty that really pay off.

I may have those numbers, improperly, but the point is, it works. We are going into radio spots too. We do not have any now. We are producing four radio spots, and we are going to increase the number of television ones. We have two now and we are going up

to four different ones. We are going into advertising for minorities, and we will be advertising to build up our reserve as well. That is our approach to the problem.

Generally, for example, it is up and down. In this year, so far, in October, we were at 100 percent of quota; in January we were at 101 percent; and then in February, we are at 83 percent.

But the problems you stated are endemic to all the armed services, and we are going to have to deal with them.

Mr. LEHMAN. You have to deal with the problem at the level of the high school senior, I guess, as much as anything else.

Admiral GRACEY. That is where it is; yes, sir.

Mr. LEHMAN. After he is out of high school, you have practically lost him I guess.

Admiral GRACEY. Although it is surprising: We get a number of our recruits who shift over from other services to us. But high school is where we focus.

HIGH SCHOOL GRADUATE RECRUITS

Mr. LEHMAN. To what extent has there been a reduction in the percentage of high school graduates in your recruits?

Admiral GRACEY. None, sir, because we will not accept them if they do not have a high school diploma.

Mr. LEHMAN. Would you indicate for the record the percentage of recruits that were high school graduates for each of the past five fiscal years, including fiscal year 1986 to date.

[The information follows:]

The Coast Guard treats individuals with a Graduate Equivalency Diploma the same as a high school graduate, and does not accept non high school graduates for enlistment. Prior to fiscal year 1985, records were not kept delineating between recruits with a Graduate Equivalency Diploma and those with a high school diploma. During fiscal year 1985, 86 percent of the recruits enlisted had a high school diploma. To date in fiscal year 1986, 88 percent of the recruits have a high school diploma.

Mr. LEHMAN. For fiscal year 1987, you are requesting an increase of $934,000 for recruiting expenditures. How do you intend to spend these funds?

Admiral GRACEY. Well, we are going to spend it on the kinds of things I talked about, with the increased television announcements, going into radio, increased advertising. We have some other ideas. We are going into a regional recruiting command concept, so we can put a more continuous focus on the recruiting situation, centralizing in essentially two or three regions.

LOSS OF AVIATORS

Mr. LEHMAN. Last year you indicated that you were losing aviators at a faster rate than expected. To what extent has this been a continuing problem?

Admiral GRACEY. It is still a problem, Mr. Chairman, mostly at the 02-to-04, the more junior levels. Last year we lost 26; this year we lost 32; the five-year average is about eleven. So it is up. The airlines are hiring and——

Mr. LEHMAN. Another side effect of deregulation.

Admiral GRACEY. That is one. There are more airline opportunities. Another is it is an effect of the continuing uncertainties as to what is going to happen to their Coast Guard careers. If they have an attractive career opportunity somewhere else, it is a great temptation to take it.

Mr. LEHMAN. Your overall retention and reenlistment are very high and have remained reasonably consistent over the years. Are you having any reenlistment problems in other specialty areas, other than aviation?

Admiral GRACEY. Yes, sir. Not in the officer ranks, but among our enlisted personnel. There are about seven different specialties, mostly technical specialties, where we are below our manning level. In those areas we use selective reenlistment bonuses as an additional enticement to stay with us. That is what those are for.

That problem is occurring at the E–5, E–6 level. That is usually four, five, six, seven years into the service, and it is before a career commitment has been made, but it is at a time when they are starting to have families, and so forth.

EMPLOYEE MORALE

Mr. LEHMAN. What is your assessment of the morale of military and civilian personnel? We touched on that when we talked about contracting out, but other than that, how would you assess it?

Admiral GRACEY. Well, my assessment of the morale of our military personnel is that it is astoundingly high under the circumstances of what is going on, and that is—let me just say it is very high, and it astounds me that it is, because of the kinds of things that are happening.

Right down to the most junior enlisted man or woman, I am hearing a great concern about what is going to happen to the Coast Guard. They are worried about their own careers of course, but the questions I get when I go to the field are: "Is the Coast Guard going to be able to continue to do its job?"—and—"What we do is important; can we keep doing it?"

But aside from that, morale is high; my people are just great. Now with some of the civilian personnel, it is another thing. There are a lot of uncertainties. They see the contracting out, and they see the privatization and a lot of those kinds of things that may cost them their jobs. They see some things happening in government that indicate that the name of the game is to reduce the civilian work force. So, there is much concern among our civilians. It is not a major problem yet, but morale is lower.

Military people keep asking, "Doesn't the Congress know that we're one of the armed forces? That we're military people?" The Congress and the "people in Washington," I should say, rather than just zero in on you. But don't they understand that? And I keep saying, "Yes, they do understand it," and then they say "Prove it," and sometimes that is hard for me to do.

Mr. LEHMAN. You should start buying $400 hammers and then they will——

Admiral GRACEY. Then we will find out. Well, if that is what it takes, we might buy a couple. [Laughter.]

DRUG ABUSE IN THE COAST GUARD

Mr. LEHMAN. Last year, you indicated that you were discharging personnel who tested over 50 nanograms in your urinalysis tests.

To what extent has the number of personnel being discharged for drug abuse decreased since you instituted this policy?

[The information follows:]

The number of drug discharges has increased, from 519 in FY 1984 to 563 in FY 1985. There were 119 drug discharges in the First Quarter of FY 1986.

These figures reflect a more stringent policy on disposition of drug abusers implemented in July 1984, which eliminated any disposition other than discharge processing for members confirmed as drug users. Prior to July 1984, junior enlisted members could be retained by commanding officers following a first drug incident.

Personnel testing at 50 ng/ml or higher of THC are defined as intentional users and are processed for discharge. Different confirmatory test standards apply for the other drugs of interest (amphetamines and barbituates, 1000 ng/ml; cocaine, 300 ng/ml; metaqualone, 100 ng/ml; opiates, 300 ng/ml; phencyclidine, 150 ng/ml).

Since the testing program started in 1982, the number of violators detected has dropped from over 10% to less than 2%. At the same time the testing program has been made more intensive. It is clearly having a positive deterrent effect.

ALCOHOL FROBLEMS IN THE COAST GUARD

Mr. LEHMAN. To what extent is alcohol use still a problem area?

Admiral GRACEY. It is still a problem, Mr. Chairman. We are doing a lot of things to steer away from it and to make people aware of the nature of the problem, but it is a problem. We have a number of programs in place, and there has been steady improvement, I think. Attitudes are positive about trying to deal with it. When the Coast Guard celebrates its birthday, for example, we do it with a picnic. We always have picnics.

Mr. LEHMAN. I went.

Admiral GRACEY. That is right; you have been there. And we have tried to do that sort of thing. Traditionally, the first thing you found was a keg of beer, and we would have beer drinking contests. We do not do that any more. The beer is there, but we have other alternatives, and we are doing that sort of thing in a number of ways.

In both the officer and enlisted evaluation systems, I put in a specific line item on sobriety. Every person is marked, at his or her regular marking period, on sobriety. Not only that, but the extent to which he has stepped out to help his shipmates move away from drinking. If he wants to get a really high mark, he or she has to demonstrate that they have stepped out and taken a leadership role in helping.

MULTI-YEAR PROCUREMENT CONTRACTS

Mr. LEHMAN. With the potential of relatively large scale across the board reductions, you do not intend to enter into any large scale procurement contracts which cannot be altered without paying significant penalty costs, do you?

Admiral GRACEY. I guess the simple answer is, of course not, but I do not think that accurately conveys where we are. First of all, I tend to be a bit of an optimist and look at the rosy side of things. I am confident that between the Congress and the Administration,

we are going to find a way to get rid of the across-the-board cuts and not let that happen again.

And we in government are going to find a way to continue to focus on the high priority programs. As I said yesterday, being a maritime nation, as the United States is, I am convinced that the Coast Guard is a high priority matter. I am happy to see that the President is too. This Committee has always indicated that if felt so. That means that Coast Guard work is going to go on. Consequently we have got to go forward with some long term contracts.

What we will have to do is write those contracts in such a way as to minimize the risk and to maximize the flexibility of application of the opening contract so that it will allow an adjustment of quantities in any given year and so that we will not have penalties.

I would hope there would not be any consideration of terminating a contract for any items like those I just mentioned. We have got to keep going on those things.

R&D PATROL BOAT REPLACEMENT

Mr. LEHMAN. Moving on to your patrol boat program. Why are you still requesting RDT&E funds for your patrol boat replacement program in fiscal year 1987, if you intend to begin purchasing these boats in fiscal year 1986?

Admiral GRACEY. Well, that program in R&D, Mr. Chairman, has also again, been in place for a number of years. It has been looking at the fleet mix requirements. A lot of the work they have already done, on climate and sea states for example, has already paid off. We are doing some interesting things. We learned that we had some perceptions that were not exactly true.

A lot of that detail is being put to use in the contract we are going to start for a basic type of patrol boat now. But the fleet mix will include some advance marine vehicles. We do not know what types yet. We want to look at them and analyze what types, but we are considering things like SWATHS and hydrofoils and other types of advance vehicles that may hold down the cost and may give us at a different cost, a higher capability, may improve our productivity, as a part of the mix.

They will come in at the end of the long range replacement program. The Secretary approved a two track program. One to get going on those kinds of vessels like the single hull patrol boat about which there is no question while continuing research work on the advanced types. That is why we have requested the R&D money.

PATROL BOAT VESSEL MIX

Mr. LEHMAN. Last year it was indicated that you expected to have developed your information regarding the vessel mix by Fall of 1985.

What vessel mix have you decided on and how many do you intend to purchase?

Admiral GRACEY. The R&D work we did, which I just talked about, with sea states and speeds and all of that sort of thing, and districts where the different conditions exist, indicated that there is a potential for three different types of boats:

That which will meet the basic conditions in most environments; that which will let us go fast and respond in shallow water and sheltered water; and that which will handle major heavy weather and still get to the scene.

So, we are talking about three types but the final version of what will be and whether we will even go to three types or whether we will wind up with two or what the final form will look like, we do not know yet. That is what the research and development is for.

Mr. LEHMAN. Provide the details for the record of this mixture, if you can get them.

Admiral GRACEY. I will not be able to give you an awful lot more than I already have, except I will show you what we mean by the three types, yes.

[The information follows:]

The initial iteration of the Candidate WPB Craft Study postulated the following estimated distribution of possible vessel types in the patrol boat fleet. This is only a first estimate and will be refined in the succeeding iterations of this Study as we learn more about the capabilities of each vessel type and update our patrol boat mission requirements:

Initial WPB fleet composition estimate

Heavy weather AMV	23
Fully capable patrol boat	48
Response boat	9
Island class	14

PATROL BOAT REPLACEMENT

Mr. LEHMAN. Last year, you estimated that your patrol boat replacement program will cost $600 to $800 million.

Is that still your estimated cost?

Admiral GRACEY. A rough estimate, yes, sir. Remember, it applies to a buy that is going to take place over approximately 12 years and it is going to be for a mix of vessels, some of which are not designed yet, where designs have yet to be determined. It has to be a rough estimate. But that is still accurate.

Mr. LEHMAN. You are also requesting RDT&E funds for a bouy tender replacement program. Are you planning to replace the same bouy tenders that you have been rehabilitating for the past five years?

Admiral GRACEY. Eventually, yes, sir.

The SLEP program we have been working on over the years, was to extend the life of vessels that were built in 1944. So, we are talking about the ones that have been through the SLEP. With that program we bought 10 to 15 extra years. We are talking on up into the 1990's to the year 2000, so that some of them will be 55 years old before they are replaced.

NEW ICEBREAKERS

Mr. LEHMAN. Last year we discussed your 1985 capital investment plan which contemplated two new icebreakers, one in 1989 and one in 1990.

What is the status of the design work for these icebreakers, and what can you tell us about the type of vessel that you are considering?

Admiral GRACEY. Well, the status is that the conceptual design is finished and we are in the preliminary design stage. We are waiting impatiently for the User Council to get around to coming back to us. The User Council being the agencies that buy our polar icebreaker time.

Mr. LEHMAN. You said that the original design is finished, meaning that they are coming from Finland?

Admiral GRACEY. No, sir.

Mr. LEHMAN. But they do make good icebreakers over there.

Admiral GRACEY. They make excellent icebreakers. We make good ones here, too, sir.

Just so the record will be clear on that the conceptual design is done, and the preliminary design is going. The concept is one of a vessel that will have enhanced scientific capability. That is where the hasseling is going on. Essentially it will be—I can give you the details for the record of what we are looking at. It is a conventional icebreaking hull, 451 feet; 31 foot draft; 30,000 horse power.

Mr. LEHMAN. You can give us that for the record.

[The information follows:]

Conceptual Design for the new polar icebreakers was completed in September 1985 and the initial characteristics are as follows:

Length, Overall—451 feet.
Length, Waterline—393 feet.
Beam, Waterline—88 feet.
Draft—31 feet.
Displacement—16,000 long tons.
Shaft Horsepower—30,000 horsepower.
Cruise Speed—12.5 knots.
Icebreaking—4.5 feet at 3 knots continuously. 8.0+ feet by backing and ramming.
Endurance—80 Day mission profile for fuel.
Survivability—Two compartment floodable length standard.
Science—30 person science party, enhanced science capability, user agency input incorporated in design.
Crew—110 personnel.

Input from the Polar Icebreaker Users Council was just received and will be incorporated into the Preliminary Design to be completed late this summer.

CONSTRUCTION OF CG VESSEL BY FOREIGN SHIPYARD

Mr. LEHMAN. It is my understanding that language is being considered in your authorization bill which would prohibit, except in the interest of national security, the construction of any Coast Guard vessel or any major component of the hull or superstructure of a Coast Guard vessel by a foreign shipyard.

Do you or would you support such legislation?

Admiral GRACEY. I believe it is important to keep the U.S. shipyards working and I know we will get quality work from them. So, I think the Coast Guard should buy its vessels from U.S. shipyards.

HELICOPTER PROCUREMENT

Mr. LEHMAN. With regard to your medium range helicopter replacements, what type of helicopter are you planning to purchase?

Admiral GRACEY. What we are hoping to do, sir, is to ride along with the DOD contract—to piggyback on it. It will be a variation on a helicopter that will be bought for the Navy. The Air Force is getting some similar, they are getting variations on the same theme. But the basic helicopter is there. We are following the Navy

thing because, of course, it is built for operating in a marine environment, and that takes some different kinds of preparation.

We have been assured that we can piggyback and that there would be no problem in making adaptations that we would need for Coast Guard work. The beauty of that, of course, is that we will probably get it at lower costs, because it is a volume buy and we will be a part of it. And also, of course, the great beauty is that later on, we will have standardized support through the DOD system. We will not have to provide our own support inventories.

CONTRACT WARRANTIES FOR NEW PROCUREMENTS

Mr. LEHMAN. Do you intend to have contractor warranties in all of these major new procurements?

Admiral GRACEY. Oh, warranties.

Mr. LEHMAN. Yes, contractor warranties, that is one of the big problems in the Defense Department.

Admiral GRACEY. Yes, sir.

Of course, if we ride on the DOD contract, it will be their rules that apply. On our own contracts, we will be following the Department of Transportation regulations on warranties. You, last year, I think directed that they develop some regulations.

Mr. LEHMAN. Mr Coughlin, do you want to do a few questions?

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. LEHMAN. Certainly.

COAST GUARD/DOD HELICOPTER PURCHASE

Mr. COUGHLIN [presiding]. What is the specific helicopter that you are planning to purchase that the DOD is purchasing?

Admiral GRACEY. It is what we call a medium range recovery helicopter. I am sorry, I do not know the designation of the type that the DOD is getting. Actually they are going on a competitive buy so we really do not know—we know what their basic concept is and thereby, the Navy will be buying one for combat rescue work, among other things. And we do not know some of the features but the basic helicopter design will be eminently suited to us just as our H-3 is. You know, that is a variation on Navy and Air Force helicopters.

Mr. COUGHLIN. The Navy buy, has is that contract been let or——

Admiral GRACEY. No, it is about to be.

Mr. COUGHLIN. Are there letters of competition or how is it designated?

Admiral GRACEY. It is a competitive contract and I understand that they are going out this spring some time.

Because we had a relatively small window in which we could get it under the contract, we had to make a decision. We are hoping to be included in their buy.

Our requirements are included in the basic contract specifications which are being prepared by DOD.

Mr. COUGHLIN. Once you get the helicopters from DOD will you have to modify them then or will they——

Admiral GRACEY. No, the ones coming off the line will be built to our specifications but the basic contract will be DOD's. There may

be some things we will choose to retrofit because it would be cheaper than to try to modify it at the production line. But that has to be worked out in the process.

Basically the helicopter will come painted the right color, and except for the kind of government type of retrofit gadgetry we always put on things, it will be ready to go.

Some of the avionics we may put on, because they are specialized for us. But that is just a case of putting the box in the hole and plugging it in. It will be designed to fit.

Mr. COUGHLIN. So we can assume that the costs of these extras will be minor?

Admiral GRACEY. It will all be taken into account. But that will be true whether we buy it for ourselves or buy it from someone else, you are still going to have those costs. There will not be any difference.

LIGHTER-THAN-AIR PROGRAM STATUS

Mr. COUGHLIN. Last year, I asked about the Coast Guard plans to lease some blimps and train pilots and crew chiefs and conduct an operations evaluation of mission needs.

And the answer at that time, was that proposals were in and a contract award was expected by June of 1985.

What is the status of this program now?

Admiral GRACEY. We cancelled the program. The Navy was going in to looking at blimp, lighter-than-air work. They have been very interested in our work and decided they wanted to go farther, faster and at a higher expenditure rate. So we decided the smart thing to do was for us to put our money into programs—we do not have an awful lot of R&D money—and we wanted to put it into programs that somebody else was not doing.

We are monitoring and they are building into their study a look at our needs.

PROCUREMENT REFORMS

Mr. COUGHLIN. In the past, this Committee has expressed concern about your procurement process. I notice that you are proposing to establish an Office of Acquisition at the Coast Guard headquarters. What will be the major responsibilities of this office?

Admiral GRACEY. Well, the office is established. It is in business. Admiral Kozlovsky is the first office chief and he and his people are off and running.

Admiral Kozlovsky might say, because of some limitations of personnel and space, that he is off and jogging but he is off and it is going.

Mr. COUGHLIN. What are their responsibilities?

Admiral GRACEY. I am sorry but I thought that you would be happy to know that it is in place. And it is going.

Their responsibilities, essentially in a nutshell, are to oversee all major procurements, to actually do all major procurements and all major systems acquisitions. To manage those things from the very outset right on through to culmination of the project.

That will include budgeting and requirements development and specification writing and the whole nine yards.

It is an office not just of procurement people. It will have some engineers in it and it will have lawyers in it. The function is to conduct the Coast Guard's acquisition process.

Mr. COUGHLIN. To do the acquisition?

Admiral GRACEY. To do it, yes, to do it, major acquisitions.

Mr. COUGHLIN. It sounds like a step in the right direction.

Admiral GRACEY. Well, we have had all the pieces out there in one form or another but because they were scattered all over the countryside—one program director would do it one way and another would do it another way and some things would get lost in the cracks in the way of logistics support and things like that.

We have taken a shot at it before but it was not centrally focused, and we did not have a group of experts who were spending full time looking at the work. Now we do and we are fully expecting some good results.

Mr. COUGHLIN. Last year one of the problems that the Inspector General mentioned was the need to develop adequate requirements prior to initiating the procurement process.

How and to what extent will the new office address that problem?

Admiral GRACEY. It will be a part of their work, but I do not agree with the Inspector General, nor did I agree with the General Accounting Office when they said the same thing. If you have not had the rich opportunity of reading my response to Senator Roth on that subject, I would be happy to put that letter in the record. In it I suggested to him that he had not heard the whole story. He had only heard one side of it. And I think that is what has happened here.

The new office will coordinate the development of the requirements. Because it will be a single person who does just that for a living he will be able to provide full time and attention and we will have people who are experts at developing requirements. If there have been glitches in the past, hopefully that will be corrected. But I have to tell you that I do not agree that our requirements determination has been that bad. I cannot find a good example where it has been really bad.

Mr. COUGHLIN. You might provide a copy of that response to the Committee.

Admiral GRACEY. Thank you. I would be happy to.

[CLERK'S NOTE: A copy of the letter was provided to the Committee.]

ACQUISITION PROCESS STUDY

Mr. COUGHLIN. Another concern of the Inspector General was that you were developing specialized needs when off-the-shelf items may have satisfied the requirement.

This was also referred to in your own internal acquisition process study, and how do you plan to address this concern?

Admiral GRACEY. Well, performance specifications and off-the-shelf buying have been my policy all along, and really, I think, my predecessors'. But I will speak only for myself. For the last four years, that has been our policy. Look at the 110-foot patrol boats we bought. They are essentially off-the-shelf boats. We decided in

1982 to shift to an off-the-shelf buy. It earned us some lumps over in the Senate because it delayed our project for a while, while we shifted gears.

But it was the way we wanted to go. Sometimes the trade-offs are too great. This new office will take a look at the trade-offs. My policy is to buy off the shelf when it is available and proper and when you do not have to make too many trade-offs. The same thing is true of performance specs.

I would point to off-the-shelf things that we are flying now—the HH–65A is essentially an off-the-shelf helicopter. The Falcon is essentially an off-the-shelf airplane except for the engines. The SES's were built not for us. There are other examples, but I think you can see that we have been doing it.

Mr. COUGHLIN. What actions are you planning to take to ensure that your acquisition planning is integrated with the budget process and sufficiently addresses all critical elements, such as integrated logistics support?

[The information follows:]

Coast Guard staff is working directly with OST staff to integrate PPBS process with A–109 requirements for development of Mission Need. We are using present DOD Directive 5000.1 (Major Systems Acquisition) as a guide and holding discussions with OSD staff determine the best mechanism for setting up the system.

The newly established Office of Acquisition will have a Division dedicated to the issue of logistics support with responsibilities encompassing among other things, provisioning, manpower planning and configuration management. The Office of Acquisition will also have a Division responsible for quality assurance and specification review and control. This latter Division will provide a means of ensuring that logistics support is adequately addressed through the specification process.

PROCUREMENT PERSONNEL TRAINING

Mr. COUGHLIN. Another concern of the Logistics Management Institute study was the need to improve the training for both your civilian and military procurement personnel. What actions have you taken in this area and what promotional opportunities are being offered or planned so as to retain qualified military and civilian contract specialists?

Admiral GRACEY. We have instituted some training, and we have sent some people off to be trained. We are going to train more as funds are available. Funding is a bit of a problem.

Promotion opportunity is another thing. Hopefully within this office, we are going to be adding some people to the professional field so promotion opportunities will be enhanced. However, in a small agency, like the Coast Guard, where you are talking about 170 people all told in this office, promotion opportunity is limited. Furthermore, our senior people get very loyal to us and stay with us for a long, long time. The net effect is limited promotion opportunity.

Having loyal seniors is the good news. The bad news is that for the middle managers, there is no place to go. So, it is hard to find a way to enhance promotions.

Now, the Vice Commandant is suggesting that you may be referring to escalating the senior grades so that we have more senior positions. Is that part of it?

Even if it is, the opportunities are relatively slim.

PROCUREMENT INFORMATION SYSTEM

Mr. COUGHLIN. The Logistics Management Institute study also stated that your management information system does not allow managers to track contract activity effectively.

What actions have been taken or are planned to develop an effective procurement management information system?

[The information follows:]

We have developed a system that will allow mid-level procurement managers to track the contracts they are responsible for. A macro-level system for senior management will be part of the over-all management information system being developed for the new Office of Acquisition.

CONTRACT AWARDS WITHOUT NEGOTIATING PRICE

Mr. COUGHLIN. A recent article refers to millions of dollars being wasted by DOD as a result of an increase in the number of contracts awarded without negotiating the price.

According to the article, the Navy has tripled its unpriced orders since 1982. To what extent, if at all, do you award contracts prior to negotiating the price?

Admiral GRACEY. We have to do it sometimes in an emergency situation—oil spill—you need to get out there. You do not have time to haggle over the negotiation. You have to get going.

But what we do in that kind of a situation is to put a not-to-exceed or a ceiling kind of a price on it. Then if it gets to that preset level and the project is still going, we go back and take another look.

We try to avoid unpriced orders for hardware but sometimes if you need something vital to the drug interdiction effort, or if you have some other kind of an essential operation hanging fire, you have to go.

We use a letter contract, which is defined in the Federal Acquisition Regulations. It sets a maximum government liability.

The policy is to minimize the use of unpriced contracts.

UNPRICED CONTRACTS

Mr. COUGHLIN. Could you provide for the record, the amount of unpriced contracts that were entered into in 1986?

Admiral GRACEY. Yes, sir, by categories I assume?

Mr. COUGHLIN. Please, yes.

[The information follows:]

Aside from the oil spill agreements and the letter contracts, we have awarded four unpriced orders in FY 1986. Three of these are for spare parts for the HH-65 helicopter and contain not-to-exceed price ceilings. We are in the process of establishing the reasonableness of the prices and will then definitize those orders. The fourth is for spare parts on our new 110-foot patrol boats. Again we have a ceiling price, but we also have a clause that allows us to unilaterally set the price on a part if we feel the offered price is not fair.

SPARE PARTS PROCUREMENT

Mr. COUGHLIN. Over the past few years we have discussed your spare parts procurement. Last year it was stated that your goal was to reduce by 5 percent each fiscal year the number of non-competitive procurements.

How successful have you been in meeting this objective?

Admiral GRACEY. Can anybody answer that?

We are going to have to provide that for the record, sir. I can tell you that we have programs going. The part that I cannot answer is, how close we have come to the 5 percent. But I can tell you that I am aware, for example, that at the Aviation Repair and Supply Center there were some 200 line items that we shifted to come under this kind of program. And we have aggressive programs going both there and at our Support Center in Brooklyn, which handles all of our electronic items and that sort of thing.

And we have a Coast Guard-wide system coming in which will apply to our ships inventory control point as well.

So we are into it. I know we are having good results but I cannot tell you exactly the magnitude.

Mr. COUGHLIN. Respond for the record, please.

[The information follows:]

We have made good progress towards our objective of reducing non-competitive spare parts procurements. We established an Ad Hoc Spares Breakout Team, which has visted our Inventory Control Points, as well as major Navy and Army procurement activities. The Team then prepared a Coast Guard wide plan entitled SPARE PARTS PROCUREMENT INITIATIVES which is now in the final stages of review. An important aspect of this plan is a reporting system which will provide data on progress towards the numeric reduction goals.

SPARE PARTS INVENTORY

Mr. COUGHLIN. Last year you stated that in fiscal year 1986 your spare parts inventory would be valued at more than $250 million, which is 60 percent more than in fiscal year 1983. What is the reason for this large growth in your spare parts inventory in just three years?

Admiral Gracey. Essentially it is because we have taken on a lot of new hardware that is not supported by DOD any more—the Falcons, the HH 65 helicopters, the new patrol boats, things of that type.

Things where we used to get a lot of DOD support but we are not getting it any more.

Mr. COUGHLIN. Last year you stated that you did not conduct a physical inventory of all of your parts every year and you did not have a precise record of which of your parts were no longer useful.

Have you taken any actions to attempt to improve your inventory management during the past year?

Admiral GRACEY. Well, we have made a number of attempts to do that, sir. For example at the SICP, the Ships Inventory Control Point, they have appointed a person whose function is to review a certain part of their inventory. They are something in the order of 92 percent complete on doing their inventory of all the areas and comparing it with their records. They have only had about a 6 percent discrepancy overall.

We have a number of programs in effect.

Mr. LEHMAN. Mr. Coughlin, would you yield?

Mr. COUGHLIN. Certainly, Mr. Chairman.

INVENTORY MANAGEMENT

Mr. LEHMAN. I think that last year I raised some questions about inventory management and the fact that there was not a physical inventory taken each year as private enterprise would have to do.

I know that in some automobile dealerships the parts department is always a problem.

You have two problems. One is obsolescence. And in the automobile business obsolescence, as well as I remember, ran about 20 percent a year.

I think I told you the story that one of my parts men bought a lot of floor mats and I was filled up with floor mats for cars that were no longer out there.

I know recently in a dealership that my son runs, when they tried to match the physical inventory to the index cards of what was in the computer, there was a $20,000 discrepancy. That was because the part was removed and was not charged out or some people in the parts department had put a screwdriver in their hip pocket.

You say you have $250 million in inventory but that is your book figure. Has there been any physical confirmation or verification of the $250 million?

Admiral GRACEY. What I perhaps inartfully communicated is that we are doing physical inventory. At four stock points where we have done physical inventories, we have only found six exceptions.

Our actual inventory is about 92 percent complete at the Ships Inventory Control Point. But the Aviation Repair and Supply Center, and the others are also doing inventories.

I cannot tell you the period on which they do them. It has to be a cyclical inventory because you simply cannot shut down for inventory as some establishments can.

And every time we change command or the military person responsible for the inventory, we do a physical inventory the responsible person and his or her relief have to certify it, to accept it.

I agree with you entirely on the value of the inventory. One of the problems that we are dealing with is at the Ships Center. We are pretty comfortable with our Electronics Center and our Aviation Center. At the Ships Center we think we now have a proper program going now that will give us a handle on that, but they had so much old junk in there. When you are dealing with ships 50 years old, you can imagine what you have—and it is spread all over the country. It is not all sitting up there in a warehouse in Curtis Bay.

Mr. LEHMAN. It is a tough job.

Admiral GRACEY. So, we have tried to sort out items to be selective in that which we will control. For items where there is only one of that type of ship left or only one of that kind of engine, we are letting the district commander who owns the basic item support it.

We are only going to provide central support and therefore have a central inventory for things like the new patrol boats, the new 270's and those where there is standardization in a fleet-wide situation.

Mr. LEHMAN. Do you have any bookkeeping figures that you use for obsolescence.

Admiral GRACEY. I can tell you that as a young lieutenant, fresh out of Harvard Business School, I was the inventory manager for the Coast Guard and we did have items like that. When something got to a certain level or a certain age, out it would go and we found that as sure as God made little green apples, three months later, somebody would come in and need that very part that you disposed of.

The tendency then is to say, "We will keep it." And you have to get into a balance between the value of having it and the value of going to get it, especially if it is a part where, once you lose it, you have to go build a new one. A lot of these parts at the SICP were out of production long since, not replaceable, so there was a great tendency to hang on to them.

The kinds of decisions that you are talking about are being made and will be made even more professionally once we get a handle on this. That kind of thing is done all the time in our Electronics and in our Aviation Center and it is going to be done in the Ships Center.

Mr. LEHMAN. I guess what I am looking for is two figures. What percentage of your inventory becomes obsolete every year and how much inventory shrinkage do you have each year, that you cannot account for?

Admiral GRACEY. Of course our situation is a little bit different than, say, your experience in the automobile business because you had a turnover of model years and so forth and there would be an obsolescence kind of thing that would happen every year.

We do not have that on a regular rotating basis, but we will try to see if there are some figures that we can give you.

Mr. LEHMAN. I was talking about shrinkage. I guess, in other words, that is internal or external theft.

Admiral GRACEY. No. I understand about the shrinkage. I was talking about how much becomes obsolescent. On the shrinkage thing, that would show up in our inventories. I know that the GAO and the Inspector General do audits on our inventory. We do not have our own auditors any more, you know; that is done by other people.

And a lot of our items are not particularly attractive. You cannot make an awful lot of use out of a helicopter rotar blade, you know, unless you happen to be in the business somewhere.

Mr. LEHMAN. It would make a nice souvenir.

Admiral GRACEY. It would certainly be difficult to get it off the base.

Mr. LEHMAN. Mr. Coughlin, would you like to continue?

Mr. COUGHLIN. I have to go to another meeting.

INVENTORY SHRINKAGE AND OBSOLESCENCE

Mr. LEHMAN. Okay, if you could translate that into some percentage figures for me, that would be helpful—shrinkage and obsolescence to show from year to year what is happening in those numbers.

Admiral GRACEY. Would it be all right if we did it, say in categories of things, sir?

Because it will be different for each type.

Mr. LEHMAN. Just a sample of management.

Admiral GRACEY. We will give it our best shot.

[The information follows:]

In Fiscal Year 1985, our three Inventory Control Points removed from stock obsolete parts valued at just over $5.6 million. Below is a comparison of fiscal years 83, 84 and 85 by category of material:

	Fiscal year (thousands)—			Percent of fiscal year 1985 ending inventory
	1983	1984	1985	
Electronics	$813	$806	$830	1.0
Ships parts	48	10	38	.1
Aviation parts	10,871	5,828	4,736	4.0
Total	11,732	6,644	5,604	2.0

While exact dollar figures are not maintained, from experience, we factor in a one percent surcharge to the cost of each item in the Supply Fund Account to cover shrinkage.

IG REPORT INVENTORY CONTROL

Mr. LEHMAN. The most recent Inspector General semiannual report states that your Yard's ship inventory control point [SICP) has not achieved its objectives of providing an efficient centralized control point for ship parts.

The Inspector General found that more than 40 percent of the inventory ($44 million) was either excess, inactive, missing or unserviceable.

The Inspector General also states that required physical inventories were not performed and there was a $7 million difference between warehouses and SICP records.

What actions have been taken by the Yard to correct these problems?

Admiral GRACEY. I gave you the flavor of it a minute ago in the answer to your previous question. But essentially we have set up so we can have the data. We have set up a project to develop some software we can use for computer management. We designated functional area managers, that is the term I was trying to think of a minute ago. And they report each week to the manager of the SICP, Ships Inventory Control Point. We are taking physical inventories, as I said, with the results that I cited. We have established a suspense file that identifies materials and who is responsible for what.

Because you see, a lot of the inventory is in transit from out in the field back. As I said, we have functional area managers.

The retention reviews, that is, which items we are going to keep and which ones we are going to get rid of under this new program that I explained is almost done. The inventories, are about 92 percent done. They have looked at over 3,700 line items so far.

So, it is going on.

MANAGEMENT OF LEASED HOUSING

Mr. LEHMAN. Last year we discussed the GAO report on your leased housing program. The Department's comments on this report indicate that DOT agrees with GAO regarding the need for improved management of your leased housing program.

The Department acknowledges that your housing surveys of the larger metropolitan areas were limited, but you were "exploring ways" of determining the availability, location and cost of adequate housing.

What methods have you explored and how successful have you been?

Admiral GRACEY. Well, essentially we are trying to train our local housing officers on the kind of places they can go to get the information and we have been working on the VHA surveys, suggested by GAO, but they really do not speak to housing adequacy. They talk only about what is available. However, we have found that VHA has been able to give us some information that was more useful.

By and large, we are talking about problems of finding housing which is suitable for our families to live in, not just housing that is available. We also need housing that is within reasonable distance, especially if people are on a standby situation and they need to be able to get to their ship, or boat or station.

Mr. LEHMAN. The Department also agreed that there was a need to improve the utilization of your leased units.

What is the status of the procedures you were to develop to insure prompt identification of vacant leased units?

Admiral GRACEY. We have a program that requires reporting when units are vacant. We require terminating a lease when there is nobody on the horizon, that is within 30 days of when it goes vacant. We allow people not more than 15 days to accept or not accept and have an absolute maximum of 60 days limit on the inventory being vacant.

We have gone into vacancy reports that come in monthly so we can monitor. We have the field, of course, monitoring it more closely than that because they are on the scene. Last year we had a mean occupancy rate of 98.1 percent and I think on a service-wide basis of almost 4,000 leases, that is not bad.

PHASING DOWN LEASED HOUSING

Mr. LEHMAN. We should do that in the condo business in Miami.

The Department states that you intend to continue phasing down your leased housing program. To what extent has it been profitable to reduce the number of units being leased?

[The information follows:]

We are not phasing down our leased housing program. It is an important and cost-effective way to meet our responsibility to our people. However, we are managing the program more tightly. As a result, the inventory of leased housing units has been reduced 7.3% since August 1985, from 3,712 to 3,441.

The majority of reductions since August 1985 reflect the removal of newly ineligible personnel (due to new, more restrictive eligibility requirements) from leased housing, and the termination of leased units in those areas where cost and/or availability were not sufficient to meet the "need" criteria for leased housing.

LEASED HOUSING REPORT TO OST

Mr. LEHMAN. Would you provide for the record a copy of your most recent semiannual leased housing report to the Office of the Assistant Secretary for Administration?

[The information follows:]

Leases in Effect

District	Family	Unaccompanied Ashore	Unaccompanied Afloat
1	194	27	13
2	86	32	4
3	310	41	6
5	487	40	31
7	194	26	42
8	465	74	41
9	247	39	14
11	180	35	16
12	145	27	10
13	144	19	12
14	0	0	17
17	12	0	31
HQ UNITS	347	23	10
TOTALS:	2811	383	247

AVERAGE MONTHLY COST OF COAST GUARD LEASED HOUSING PROGRAM

	Family	Unaccompanied Ashore	Unaccompanied Afloat
- Avg cost per lease	$548	$513	$555
- Less Avg. BAQ	287	363 (Totals for	0
- Less Avg. VHA	105	147 2 occupants)	0
Net avg. cost per lease	$156	$3	$555
x number of leases	2811	383	247
Net avg. monthly cost:	$438,516	$1,149	$137,085
(per program)			

NET AVG. MONTHLY LEASED HOUSING COSTS:	$438,516	(Family)
	1,149	(Unaccompanied Ashore)
	137,085	(Unaccompanied Afloat)
GRAND TOTAL, AVG. MONTHLY COST OF LEASED HOUSING PROGRAM:	$576,750	

SELECTED RESERVE INCREASE

Mr. LEHMAN. You are proposing to increase your selected reserve by 500 personnel in fiscal year 1987. At the same time, your budget proposes to reduce the number of full-time permanent military positions in your regular force by 342 positions from 38,994 positions to 38,652 positions.

Do you believe that it is more important to increase the size of your reserve than it is to maintain your regular force?

Admiral GRACEY. Well, that is another one of those "when-did-you-stop-beating-your-wife" questions, Mr. Chairman.

They are both important. It is not an either/or situation. They both have a role in peacetime and in mobilization. We judge our mobilization requirements not only on the size of the Reserve but also on the size of the regular establishment.

But the decreases you are seeing in regular personnel in the budget are resulting largely from things like A–76 reviews, and the national productivity enhancement program—which means go find some billets you can cut through productivity improvements.

Those do not apply to the Reserve because they are not in that kind of program. The Reserve is really, at the present time, only at about 55 percent of its required strength. So we want to keep it moving forward, but you should not draw any judgments, please do not draw any judgments about preferred treatment here.

Mr. LEHMAN. What is the reason for this proposed increase in your selected reserve.

I guess you are trying to get up to speed?

Admiral GRACEY. That is correct. They have major war time roles and are very valuable to us in peacetime as well. But if they are going to do their war time work they have got to train and be prepared to do their thing. Furthermore, they have some taskings for peace time contingency operations. We need to get them up to strength there so that we can fulfill our obligations.

Mr. LEHMAN. Last year, you indicated that your reserve recruiting was down compared to the previous year. Is this still the situation, and, if so, how confident are you that you will be able to meet your fiscal year 1987 recruiting requirements?

Admiral GRACEY. We have been achieving our goals. The problem is that we have had to rely on what we call prior service people, that is, folks that have either gotten out of the Coast Guard, or some other service, but still want to work in the military.

We would prefer a better balance of nonprior service and prior service, but we have met our goals, and our retention is up to 69 percent. That is up from about 65 percent, where it has been for the last several years.

We have 500 more to add this year. We have managed to get the 500 additional we were looking for last year. I think we will reach our goal this year.

RESERVE TRAINING/GRAMM-RUDMAN IMPACT

Mr. LEHMAN. And what impact will the fiscal year 1986 Gramm-Rudman reductions have on your reserve training program?

Admiral GRACEY. Well, essentially, it took its percentage cut like everything else. Its 4.3 percent amounted to about $2.6 million.

In addition we had to absorb a pay raise from last year, like the rest of the Coast Guard did, so that is another one and a half million dollars. So we are starting from about $4.1 million. It meant that we had to cut down some of our recruit input; that we will have to cut our annual training by about 8 percent. That means we will lose about 10,100 person-days of training. We have had to defer some of the training facility maintenance and not buy some equipment.

And of course we have not been able to augment the regulars as much. So it has been kind of spread across the board.

RESERVE TRAINING PROGRAM ACCOMPLISHMENT

Mr. LEHMAN. What do you believe has been the most significant accomplishment of or improvement in your reserve training program during the past year?

[The information follows:]

During the past year, the Coast Guard Reserve training program had six significant accomplishments:

Began meaningful growth of the Selected Reserve force, accomplishing the 500-member growth authorized for Fiscal Year 1985. A second 500-member growth increment, that will bring our Selected Reserve to 13,000 members, is included in the President's budget for Fiscal Year 1987.

Continued a high level of readiness exercise participation. About 22 percent of Selected Reserve force was involved in readiness exercises in Fiscal Year 1985, including Reforger, Solid Shield, Brimfrost, Bright Star, Northern Viking, and Ocean Safari.

Began outfitting our deployable forces, including the purchase of $400,000 in personal equippage for Port Security personnel designated in overseas contingency plans.

Provided key assistance to active forces in shuttle recovery operations after the Challenger disaster. Over 30 reservists were "on-scene" at the time the Challenger disaster occurred and during recovery efforts.

Established the Explosive Handling Supervisor Course to provide advanced technical skills to our port operations personnel.

Developed a Combat Skills/Survival course at the Marine Corps Development and Evaluation Command, Quantico, to train Port Security personnel for operations in a hostile environment.

SMALL ARMS TRAINING

Mr. LEHMAN. Would you update for the record the figures on small arms training which were included on page 803 of last year's hearing record.

[The information follows:]

Small arms training data for Reserve weapons qualifications for 1984 and 1985 are:

Year	Qualifications required [1]	Number trained	Percent	Number qualified	Percent
1984	14,347	8,416	59	6,681	47
1985	9,916	7,364	74	6,538	66

[1] The overall weapons qualifications requirement for the Reserve force dropped by nearly one third in fiscal year 1985 through refinements to the Coast Guard's mobilization planning process and a reprioritization of existing mobilization force assignments.

DECOMMISSION THE WHITE BUSH

Mr. LEHMAN. At this time it gives me pleasure to yield to my colleague on the full committee, Congressman AuCoin from Oregon.

Mr. AUCOIN. Thank you very much, Mr. Chairman. I noticed you still have my nameplate.

Mr. LEHMAN. We want you back.

Mr. AUCOIN. As a former Member of the subcommittee——

Mr. LEHMAN. Maybe a future Member.

Mr. AUCOIN. I appreciate that. I really want to tell you, Mr. Chairman, that I appreciate your accommodating me and letting me sit in on your hearing today. It is an important hearing and I have some important concerns that I would like to ask Admiral Gracey about, and, Admiral, I should say that it is good to see you again, too.

Admiral GRACEY. Thank you, sir. You, too.

Mr. AUCOIN. I have enjoyed working with you through the years, and I think you know that.

Admiral GRACEY. Yes, sir.

Mr. AUCOIN. I know that you are keenly aware, Admiral, of the difficulties—well, I want you to know that I am keenly aware of the difficulties that your service faces with the budget.

As a Member now of the Defense Appropriations Committee, we have been, I think, sensitive to some of those problems, and the record will reflect that, to try to use some of the sums that seem to exist there, and to ensure that they get to you, to help you perform your mission. But you still have incredible problems with the budget, and I think you know that I really do not go out of my way to try to bring, or to keep equipment in my own Congressional district, just for the sake of protecting my own parochial interests in my district.

And that is out of recognition of your very real budget problems. I think you are aware of some of the evidence of this statement I have just made, about the approach I have taken, and the sensitivity I have shown to your budget concerns.

You may recall that I refrained from taking on the Coast Guard when you chose to decommission the White Bush at the Astoria Station in my district, which was a source of incredible concern to that hardpressed community. You do remember that, don't you?

Admiral GRACEY. I remember that, sir.

SEARCH AND RESCUE IN OREGON

Mr. AUCOIN. We have, however, on the Oregon coast, a very real need for additional search and rescue service, and specifically, a rising chorus of voices calling for a search and rescue helicopter detachment at Newport, Oregon, as a way to fill the gaping hole in the Coast Guard's search and rescue coverage of the coast.

Let me note for the record, that there are search and rescue helicopters based on the north coast in Oregon, at Astoria; on the south coast at North Bend. As the crow flies, Newport is 105 miles south of Astoria, and 80 miles north of North Bend.

Consequently, the helicopters based at those two locations take a full 45 minutes to reach the Newport area, given that the average survival time, according to information I have, in the water, in cold

weather, is about 15 minutes. That is really incredibly too long to conduct a search and rescue operation during many months of the year.

I have been getting large amounts of mail that describe the problem. I would like to read one from Jeff Ouderkirk who is a prominent citizen and local government official, which I think states the issue very well.

It says: "We are members of the Newport, Oregon community, writing to enlist your help in getting a Coast Guard helicopter based in our community. The closest Coast Guard rescue helicopters are 45 minutes by air to the north and 45 minute by air to the south, even though the fleet, both sport and commercial that operates out of Newport is as big or bigger than the fleets in those ports where the helicopters are located.

With average survival time in frigid coast waters hovering around 15 minutes, we feel the existing Coast Guard air rescue facilities are too far away to be of assistance in many cases to those who fish in the coastal waters off Newport.

During a six-week period, from November 15th through December 31st, 1985, two boats have gone down off our immediate coast. Five men have died in those two accidents. We feel some of those men's lives might have been saved, if they had been reached earlier.

The Newport Coast Guard is a dedicated and capable bunch, but the time span between an initial Mayday call and the Coast Guard arrival at an accident scene is often frustratingly long because even their faster rescue boats travel at only about 12 miles per hour; helicopters, by contrast, at 120 miles per hour.

Lives have been lost and will continue to be lost, needlessly, off the central Oregon coast, if we don't ultimately get a helicopter permanently stationed in this area."

The letter goes on to say that, "Two years ago, the Newport Fishermen's Wives organization joined together with the Newport community in a search and rescue project in which they had raised locally, $40,000 in cash and emergency equipment to supplement the rescue capabilities of the local Coast Guard."

The letter continues: "We have been told that this equipment has already saved lives. We are ready again to rally our local resources and do everything in our power to get this much-needed helicopter in our port. We ask only that you assist us in our efforts, where and when it is possible."

And they attach a letter to the editor of the Newport News Times, a captain of a vessel which capsized and sunk off Lincoln City on November 15th, 1985, with a loss of three lives, including that of the skipper's son.

I will leave this letter for the record, but I think it dramatizes, Admiral, stories that you have heard before, and there are consequences with the problems you have, I know, in your budget.

But what I would like to know, notwithstanding the problems you have, if you could do it, what do you, in your professional judgment believe, an appropriate search and rescue helicopter detachment would be?

What kind of equipment would be needed for a search and rescue helicopter detachment in Newport, if you had the resources, overall, to make that a priority?

Admiral GRACEY. Let me say first that we have written back and answered some of the same sorts of letters as you have read. We have tried to explain the reason why it is just not practicable, and I want to be on record at the outset, as saying that I understand the concern. I feel for it. I do not think it is a proper thing to do at the moment, but to answer your question it would take——

Mr. AUCOIN. Is it because of budget limitations?

Admiral GRACEY. Budget limitations, and a look at the realities of the national situation, and I do not mean the fiscal situation.

For example, the nearest helicopter to fishermen sailing out of the whole coast of Maine is at Cape Cod, Massachusetts. The people at Ft. Bragg, California who fish, are some hundred and some odd miles away from the nearest helicopter. So it is not an unusual situation that you are describing, especially when they are working in cold water.

If we had our way, of course we would have helicopters and boats all up and down the coast.

NEWPORT, OR, EQUIPMENT REQUIREMENTS

Mr. AUCOIN. Yes. So let's just dream for a few minutes, and what if you had the opportunity to put this equipment in Newport, Oregon.

Admiral GRACEY. Yes, sir?

Mr. AUCOIN. What kind of equipment would we be talking about to perform that mission?

Admiral GRACEY. We would be talking about building a facility to house the helicopters and the people. We would be talking about at least two, and if we want a guaranteed around the clock 15 minute response time, you would have to have at least three helicopters there, HH-65 helicopters. You would talk about a station complement—well, say, less than a hundred. Let's say probably fifty people. And of course you would need support capability, and that sort of business. You are talking about a lot of money.

Mr. AUCOIN. What would be the rough costs You have sketched out construction; the craft; the crew, rough crew estimates. Obviously you mentioned support needs.

In the roughest of terms, what would you say, in today's dollars, the costs of such a detachment would be? What are we even talking about here?

Admiral GRACEY. First of all we would have to take the helicopters away from somewhere else, or buy additional ones, so I would include in that the cost of the helicopters. So the others who have them now, ought to have them.

Mr. AUCOIN. Right.

Admiral GRACEY. The start-up cost——

Mr. AUCOIN. Would you like to do this for the record?

Admiral GRACEY. We will have to get it for the record. We are talking multi-millions of dollars, I will tell you that. We are talking about an annual cost for the personnel which would be over a million dollars. We have not done one of these things lately.

It has been a long time since we built a helicopter station, so we do not have the information handy.

[The information follows:]

The following table provides an estimate of the cost to construct, equip, operate and maintain a new three HH-65A helicopter air station at Newport, Oregon. This air station would be an independent, self-sufficient unit capable of supporting a single helicopter "Bravo Zero" readiness posture; that is, having a helicopter and crew on immediate standby to respond to any Search and Rescue (SAR) mission.

Three HH-65A Helicopter Air Station at Newport, OR

[In millions of dollars]

Nonrecurring acquisition, construction and improvements costs:	
Construct air station	$6.0
3 HH-65A helicopters ($4.5 ea)	13.5
Aircraft sparing/initial provisioning	4.1
Ground support equipment	.1
Total, Acquisition costs	23.9
Annual recurring operation expense costs:	
Personnel:	
Aviation (46)	1.4
Support (13)	.3
Facility Operation and Maintenance	.4
Aircraft Operation and Maintenance	2.6
Total Annual Operating Expense	4.7

SPARE HELICOPTERS

Mr. AuCoin. Well, my understanding, by the way, is that you are in the process of acquiring 96 of these aircraft. You have 80 operational, and there seems to be a backup figure of sixteen, a category of sixteen Why could not some be pulled out of that number?

Admiral Gracey. They are spare helicopters that let us maintain our ability to fly while the ones that are assigned to stations go in for overhaul. They are also for the crash replacements, that kind of thing.

Mr. AuCoin. Yes, but as I kind of calculate the percentage—not as I kind of calculate it, as I do calculate it, it is about 20 percent of the fleet.

Are you telling me that 20 percent of the fleet is down at any one time? You have to have attrition and a standby capacity——

Admiral Gracey. I included in there the crash replacements as well. Attrition. We are talking about a fleet size that will last the life of the fleet.

When we get all our ships that can carry helicopters, we will be deploying helicopters at sea a lot more than we have been able to do up till now, and that is going to take up some of that.

We are talking about a figure which anticipates something on the order of a 20-year life for these aircraft, and we have bought them all at once.

Mr. AuCoin. What are you going to do with the old helicopters that the HH-65's are replacing? Are you going to scrap them all, or——

Admiral Gracey. We are going to get rid of them; yes, sir.

Mr. AuCoin. Scrap metal?

Admiral GRACEY. Well, no, they will go through the GSA excess process, is what will happen to them.

Mr. AUCOIN. Why could not, given the pressing needs that we have got here, why could not some of them be put into service in a situation like this, or in Maine, or in other places?

Admiral GRACEY. With a volunteer rescue group flying them, you mean?

Mr. AUCOIN. No. I am talking about the equipment side of the cost; you save that part of the cost.

Admiral GRACEY. Well, eventually, you know, you can do anything in the first year or the second year. The problem is, do you want this to be a continuing program? Eventually you are going to have to pay the piper.

The problem is, if we were to keep these aircraft which are at the end of their service life or we would not be getting rid of them—they are getting to be very costly to support and DOD does not fly them any anymore. But even if we could——

Mr. AUCOIN. Even if you could what?

Admiral GRACEY. Even if we could keep them and even if we did try to keep them flying, we would wind up with having a problem of having helicopter pilots who had to be trained on three different types of helicopters instead of two, and that just runs up the cost of training.

Mr. AUCOIN. Well, but Admiral, in last year's hearing, and I am looking at a page from the record, the Coast Guard testified that a number of the HH-3F aircraft will be reassigned to other air stations requiring their extended range and lift capabilities, so that some of them will be——

Admiral GRACEY. That is HH—3F, sir. That is different from the HH-52. There will be two helicopter types. There will be the HH-65 and the HH-3, and eventually, the MRR, medium range recovery helicopter, which we are going into buy to replace the H3, which is also reaching the end of its service life.

Mr. AUCOIN. Well, for the purposes of the mission I have described in a place like Newport, what would be the——

Admiral GRACEY. Short-range recovery.

Mr. AUCOIN.—difference between those two aircraft, the 52 and the HH-3F?

Admiral GRACEY. Well, the difference is in range and capability. The HH-3 is a twin turbine long-range medium-lift helicopter.

Mr. AUCOIN. Why could not the HH-3F be used for the mission I described?

Admiral GRACEY. It would be overkill of the first order and we need it in places where there is longer range. You are talking about an area—Mr. AuCoin, if we were to do this, you would be talking about a situation wherein, one 200-mile stretch of coast we would have three major air stations.

We would have one in Astoria, one in North Bend, and one in Newport. From there, you have got to go all the way to Arcadia, California before you find the next one, and then you have got to go all the way to San Francisco for the next one, and then you are all the way to Los Angeles before you get to the next one.

So I submit we would have overkill. Now we would go into——

Mr. AUCOIN. But we have got overkill, though, right? We have those accidents, the loss of the lives that I have described. That is overkill.

Admiral GRACEY. Yes, sir, and I know you do not mean to imply, and I hope the people reading the record do not read that you are suggesting that I am happy about that. I know you would not do that.

Mr. AUCOIN. Let the record show that I do not suggest that for a second. This problem on the central Oregon coast is what I am trying to bring out.

Admiral GRACEY. Indeed, it is a dangerous area. What we have tried to suggest to the people to whom we have written, is that people will last a lot longer in the water if they will be sure to wear survival suits, and if they have good survival gear, and if they have EPIRBS, and the kinds of things we are working very hard on in our fishing vessel safety program.

That is not a substitute for getting plucked out of the water, but it sure is a help while you are waiting.

REPLACEMENT HELICOPTERS OPERATION/MAINTENANCE COSTS

Mr. AUCOIN. It helps; it helps. In the meantime, would you, for the record, provide the committee with a cost. I know that it is difficult to calculate it with any degree of precision, in response to a question that you did not expect; but the cost of placing a search and rescue helicopter detachment at Newport in today's dollars. Break the costs down, if you would, between facilities, improvement or construction; personnel; equipment; support, and so forth.

And if you would show the difference in the costs of using the older helicopters that the HH-65 is replacing, on the one hand, and a new HH-65, on the other.

Admiral GRACEY. Mr. AuCoin, I will do that, of course, because you asked for it; but I would plead with you——

Mr. AUCOIN. I am just asking for the information.

Admiral GRACEY. If you have in mind putting a program in, please, for goodness sakes, do not tell us what kind of equipment to put in there. Let us be the deciders on that.

Mr. AUCOIN. Would you fold that into your estimates. I think that is a good suggestion.

Admiral GRACEY. Certainly.

Mr. AUCOIN. And I would also like to know the annual operation and maintenance budget in future years, that it would take to maintain any such thing.

[The information follows:]

The following table provides an estimated cost to construct, equip, operate and maintain a single helicopter detachment at Newport, Oregon, with either old HH-52A helicopters or new HH-65A helicopters. This detachment will be a dependent unit with the helicopters and crew assigned to a neighboring, existing "parent" Coast Guard Air Station. An additional two helicopters will be required at this parent unit to ensure that a helicopter is available to support a single helicopter "Bravo Zero" readiness posture at Newport, Oregon; that is, having a helicopter and crew on immediate standby to respond to any Search and Rescue (SAR) mission. Major maintenance and other support needs will be provided by the parent unit. Although cost estimates for the HH-52A helicopter are provided, this helicopter will not be "supportable" after implementation of the HH-65A helicopter is complete in mid-1988.

SINGLE HELICOPTER AIR FACILITY AT NEWPORT, OR

[In millions of dollars]

	HH-65A	HH-52A [1]
Nonrecurring acquisition, construction, and improvements costs:		
Construct air facility	3.5	3.5
Air station Astoria expansion/renovation	.2	.1
2 helicopters	9.0	0
Aircraft sparing/initial provisioning	2.7	0
Ground support equipment	.1	.1
Total, acquisition costs	15.5	3.7
Annual recurring operation expense costs:		
Personnel:		
Aviation (24)	.7	.7
Support (3)	.1	.1
Facility operation and maintenance	.2	.2
Aircraft operation and maintenance	1.8	1.0
Toltal, annual operating expense	2.8	2.0

[1] This option is not considered viable because of the growing unsupportability of this obsolescent aircraft.

CASH CONTRIBUTIONS POLICY

Mr. AUCOIN. Let me ask you this final question, Admiral. Is the Coast Guard able to accept cash contributions, or in-kind contributions to defray the costs of maintaining search and rescue facilities, be they helicopter facilities, or any other kind of search and rescue facility? Anything in the statute that keeps you from doing that?

Admiral GRACEY. We have a gift fund, and there is a provision for receiving gifts. I am not thoroughly familiar with how it all works and whether there are limitations as to how it can be applied or for what.

Mr. AUCOIN. Do any of your assistants have the full answer to that? Any limitations to that gift fund?

Admiral GRACEY. I know there are limitations, but not whether it would apply to something like this. This may give you a clue—there were contributions taken a couple of years ago in San Francisco to support continuing our vessel traffic service there. They stopped at the point where they thought the Coast Guard was not going to run it any more.

You are talking about funds, I assume, are you not, Mr. AuCoin?

Mr. AUCOIN. Funds. Either cash contributions or in-kind contributions.

Admiral GRACEY. Yes. And we have vessels that are being donated, for sailing, at the academy all the time, for example.

Mr. AUCOIN. Are those tax deductible?

Admiral GRACEY. In that case they are; yes, sir. I am sure. It is an educational donation.

Mr. AUCOIN. Would you provide for me, and for the committee, the information about what those limitations are.

Admiral GRACEY. Yes, sir.

[The information follows:]

The Coast Guard has authority under three sections of the United States Code to accept gifts.

a. 10 U.S.C. 2601 establishes the Coast Guard General Gift Fund. It limits the acceptance of gifts to those benefitting schools, hospitals, libraries and similar institutions under Coast Guard jurisdiction.

b. 14 U.S.C. 92(d)(f) and 93(h)(i) permits the Coast Guard to accept gifts of vessels, land, patrol boats, small craft, aids to navigation and other equipment and supplies. To qualify for acceptance, these gifts must aid the Coast Guard in performance of its funded responsibilities.

c. Regarding cash donations, 49 U.S.C. 326 authorizes the Secretary of Transportation to accept gifts of personal property, including gifts of money, on behalf of the Coast Guard. There are two limitations on the Secretary's gift acceptance authority: the gift must be used, as nearly as possible, in accordance with the conditions the donor has placed on the use of the gift (if any), and the gift must be for some purpose which facilitates the work of the Department.

Mr. AUCOIN. I appreciate this.

Admiral GRACEY. We would have to maintain the equipment, and once it was there, we would have to control, and maintain and operate it, pay the people and all of that. I know that is a fact, but that is not—your question is, can we get you the money?

Mr. AUCOIN. Yes. Well, I appreciate this, Admiral, and again, I am not creating a program. I am just asking some questions I am curious about.

Admiral GRACEY. It might be interesting to you, if I may, to note that we have an organization called the Coast Guard Foundation. It has been the Coast Guard Academy Foundation, but we recently broadened it into the Coast Guard Foundation. Its purpose is to take donations for things which are in the realm of helping the quality of life of Coast Guard people: build a chapel here, a family center there, and to take contributions around the country to help us.

They have raised a lot of money over the years, but there are limitations on what they can fund. For instance, they could not take money for providing operating equipment. It is limited to other categories.

But there is such an organization.

Mr. AUCOIN. Thank you very much, Admiral. I appreciate that and I look forward to your responses for the record. Mr. Chairman, thank you.

IG REPORT ON FALCON JETS

Mr. LEHMAN. Thank you, Mr. AuCoin. Come back at any time. Mr. Wolf.

Mr. WOLF. I have no questions.

Mr. LEHMAN. According to the Inspector General's semiannual report submitted last April, your 41 Falcon jets, which cost $269 million, fly less than half of the time anticipated and over $111 million of defective parts had been replaced in these aircraft as of January 1984.

The Inspector General recommended: (1) that you seek the service of the U.S. Air Force Propulsion Laboratory or a similar independent test facility to assess the engine's potential, and (2) establish a cost ceiling on the amount to be spent developing the engines and spare parts.

To what extent have these recommendations been implemented?

Admiral GRACEY. I would have to say, probably not to a great extent. We did ask the Air Force Aeronautical Systems Command

to run a review on the engines and they said that the development of certification had been complete and thorough and that the growth and reliability of the engine tracked very closely with industry standards.

The idea of setting a cost ceiling at which point we would then stop the whole thing, and get rid of the engines and even replace the aircraft was so patently ridiculous, that we did not even proceed with it.

This has all been on warranty. The cost has been in lost availability of the aircraft but that is coming along rather nicely now.

If you were to go in there and reengine those things now, it would be more than the cost of the whole aircraft program to start with.

The idea of getting rid of the airplanes at this point appalls me. You would not change anything, you would go through another shake-down process. If we got lucky, some parts of it might go better and we would do some provisioning better, but it is just not even a logical thing to suggest.

So we have not gone anywhere with that. As to extending the warranty provision—actually the warranty has been part of the problem.

It has helped with the dollars but because things were in warranty we could not work on them. We had to send them back to the factory. And that meant that we were short while we were waiting for them to come back. And our people, in some cases, were chomping at the bit to get their hands on those engines so they we could fix them right on the spot and fly them.

But we could not do it because of the warranties. Warranties are not necessarily a magic formula for everything.

Mr. LEHMAN. Are you satisfied with their performance at this time or——

Admiral GRACEY. The performance of the airplane, sir, is highly satisfactory. We have had great problems with the engine, they are coming along. We are up to something on the order of 80 percent of our scheduled flight hours. The availability level is less than that, but we are flying those things 640 hours a year now and we only planned them for something like 700 or 800. They are really doing their thing and the pilots love them. They are great airplanes. They have already—I have some statistics I can put in the record as to how many lives they have been responsible for having saved and they are flying out on the drug searches.

We talked yesterday about when the Challenger went down. It was one of those airplanes that was out there with the Air Eye detecting small parts floating in the water. They are good airplanes, Mr. Chairman. A good airplane and the engine problems will be worked out.

We have one major fix remaining for the engine and that is a nozzle replacement. It is going to start in May.

IG REPORT ON HOUSING REHABILITATION

Mr. LEHMAN. That same Inspector General semiannual report indicates that one of your districts did not properly justify its 6-year, $30.5 million program to rehabilitate 118 housing units and con-

struct 120 replacement housing units. What actions have you taken with respect to this report?

Admiral GRACEY. You know, is there any record of where that was? I do not——

Mr. LEHMAN. I have a page, I think.

It is on page 9 of the IG report.

Admiral GRACEY. It does not say where those houses are?

Mr. LEHMAN. No. It does not.

Admiral GRACEY. I do not know how to answer.

Mr. LEHMAN. It says 8th Coast Guard district.

Admiral GRACEY. Perhaps we had better provide an answer to that for the record. I know there has been some controversy about houses we planned in Alaska and there is some concern about some work we did in New York and also in San Juan. I do not know which one this one is talking about.

Mr. LEHMAN. Don't you have an automatic response to these IG reports when they come out like that?

Admiral GRACEY. Well, we do. But I need to know which one it is, sir, and I do not know what the IG—I do not carry them with me.

Mr. LEHMAN. The number is ROCG–5–049, if that will help you.

Admiral GRACEY. Oh, I remember that one.

[CLERK'S NOTE: No response was provided.]

IG REPORT ON FAMILY HOUSING

Mr. LEHMAN. The most recent Inspector General semiannual report found that one district planned to spend $19.5 million to construct two enclaves of family housing when a single housing complex was feasible and could be constructed and maintained at significantly less cost.

What actions have you taken with respect to this report and what management controls do you have at headquarters regarding the family housing construction programs of your various districts?

Admiral GRACEY. This one I am sure refers to the the San Juan housing situation. And I think what you are seeing there is one of the problems that comes from our Inspector General reporting system.

Items that are still in the mill get reported as if they are accomplished fact. In this case, we met with the Inspector General and reached agreement on the site we wanted for a single site. We accepted the final report on the idea of going to one place. Our disagreement was, as to what the site was and why we needed it and why we needed to build any at all down there.

We convinced him that we really did need a Coast Guard housing site and we accepted it. It is going forward. We do have central controls. The housing program is managed by headquarters, but individual district programs are managed by the district commander.

IG REPORT ON RECRUITS DISCHARGE

Mr. LEHMAN. The Inspector General's most recent semiannual report states that 42 percent of all the recruits discharged from your training center from October 1981 to February 1985 were sep-

arated for medical conditions which, in most cases, existed prior to enlistment.

According to the Inspector General, the high number of medical discharges was attributed to acceptance of enlistees with disqualifying medical conditions, inaccurate medical histories, and inadequate preenlistment physicals.

Have you taken any actions to improve the screening of recruits?

Admiral GRACEY. Yes, we have.

We have worked with our recruiters to make sure that they understand the importance of getting medical histories from recruits when they arrive and we have gone out to the contract physicians we use and to the service that provides this kind of physical for all the military recruiting people. That is two different groups.

We have given them summaries of the common kinds of things we are finding so they will be sure to look for them. We have a quarterly feedback system to those physicians as the result of their examinations, letting them know how it is going.

And we are also making sure, having the recruiters stress to the individuals that there are some severe penalties for misstating their condition.

Actually, I think the figures in the IG report were over-stated. It was about 29 percent. That is not good but it is better than 42 percent.

The other thing—excuse me, sir,—were kinds of conditions that came up after they got to recruit camp—hurt a knee during training and that kind of thing.

Mr. LEHMAN. If you want to take out a $50,000 insurance policy, the agency sends out people to talk to neighbors on both sides of your house, and maybe that is something else for you to think about.

Admiral GRACEY. We do checks on people. Of course, one of the things that we are doing now is that we are into testing for AIDS, as people report.

IG REPORT ON COMDAC COMPUTER SYSTEM

Mr. LEHMAN. The Inspector General states that your decentralized approach in developing the COMDAC computer system may have resulted in unnecessary computer acquisition and programming costs of about $3 million.

The Inspector General also states that the COMDAC computer and associated electronic equipment valued at about $45 million was acquired 2 to 3 years before needed.

What led to this equipment purchase 2 to 3 years before necessary?

Admiral GRACEY. Well, we do not agree that it was two to three years before necessary, Mr. Chairman. Our 270 foot cutter was designed with the idea in mind that we would hold down the size of the crew through a variety of measures, one of which was COMDAC, which would do a number of things automatically for the person on the bridge and for the ship—things that used to have to have individuals looking at equipment.

We had to start with COMDA early. It was an ambitious project. As we so often seem to do, to be on the cutting edge of technolo-

gy—we were ahead of where the Navy was. The Navy has been watching this with great interest because we were going to do things with COMDAC that they are not doing with their equipment.

And it has been a bit of a nightmare in getting the software developed. It has gone on throughout—Admiral Stabile and I did not have a gray hair on our head and had full heads of hair when we started, when we first heard about COMDAC in 1982, and it has largely contributed to that.

But the reason that we had to go a little bit ahead of the ship was that we wanted them in place for taining before the ship's crews went aboard. And the whole concept of this ship is that crews will go through pipeline training. We had to have the first COMDAC in place with the shoftware developed so we could train people. That is why we got a headstart and ran a bit ahead of the ships. As it turns out now, it is running behind.

We have the COMDACs aboard and a useful part of the program is in place.

R&D DEVELOPMENT PROGRAM

Mr. LEHMAN. Are you satisfied with your R&D development program and is it adequate to fulfill your mission requirements?

Admiral GRACEY. Well, I have to be honest and tell you that I am not easily satisfied with anything, Mr. Chairman, when it deals with the health and the ability to serve of the Coast Guard. Frankly, I think our R&D program probably has not fared as well, over the years—not just this year—but over the years, it has not fared as well as it might.

A couple of years ago when the figure was $18 million, we thought that was terrible. Well, we are down to $16 million in buying power, constant dollars, and have been for the last two years. In terms of buying power we are going backwards.

Now, we are doing some good things. I feel very strongly that we should take on through the R&D process some of the major things that we, in the past, have done with AC&I. The first step of doing this fleet mix, as we did with AirEye. Do the basic development with R&D and then hand it off to the engineers and operators.

R&D money is intended to make mistakes with. That is what R&D money is for. If it was a sure thing, you would not need to do R&D. And we need to do some probing around and some trials and developments in areas that will let us have a high pay-off if it works. We do not take on wild-haired ideas, but if there is a good prospect for a great payoff, I think that we ought to put some money in it.

But this FY 1987 figure is consistent with where we have been and we have got some programs with a great deal of progress going. So—.

USER FEE PROPOSAL

Mr. LEHMAN. The budget indicates that uses fees will be proposed for certain services provided by the Coast Guard. Have you determined what service you intend to charge for, how much and how these fees will be collected?

[The information follows:]

User fees would be collected to recover a portion of the operating expenses incurred by the Coast Guard to provide services that primarily benefit the recipients of those services.

Direct fees would be charged for vessel documentation, certifications and inspections; terminal or offshore facility inspections and certificates; licensing and certificating individuals and issuance of merchant mariners' documents; regatta permits and patrols; permits for private aids; and non-emergency ice breaking provided at the request of the recipient.

Indirect fees would partially recover operating expenses incurred to perform search and rescue, aids to navigation, and other services from operators or owners of recreational boats, fishing vessels, and commercial vessels engaged in international or coastwise trade or operating in or on inland waters subject to the jurisdiction of the United States.

None of the costs incurred to perform the Defense Operations, Enforcement of Laws and Treaties, Polar Ice Operations or Waterways Management Programs would be recovered through user fees since the benefits of these services are widely distributed among the public and should be financed entirely from general taxes.

It is anticipated that the amount collected would be $238 million in fiscal year 1987 and $476 million in fiscal year 1988. Fee schedules would be established in consultation with concerned parties during the Notice of Proposed Rule Making process.

Fees can be collected through the employment of Federal, State or local agencies, or private enterprises. It is anticipated that a variety of collection mechanisms may be employed with the objective of obtaining the best balance among equity, efficiency and administrative simplicity, and to minimize the cost and administrative burden on those who would pay the fees.

Revenues collected would be deposited as proprietary receipts ascribed to the Coast Guard in the General Fund of the Treasury. This mechanism is preferred to setting up a separate trust fund, since the purpose of the user fees is to recover operating expenses after the services have been delivered. The level of Coast Guard funding for these services should not depend on the amount of receipts available in a trust fund.

FOREIGN FLAG VESSELS

Mr. LEHMAN. Do you believe that the watchstanding officers of foreign flag vessels operating in U.S. waters have the opportunity to obtain reasonable crew rest?

If not, have you taken any actions in this area?

[The information follows:]

Currently, there exists no quantifiable proof that watchstanding officers on board foreign vessels in United States waters do not have the opportunity to obtain a reasonable amount of rest. During foreign vessel examinations, Coast Guard inspectors insure that vessels are sufficiently and efficiently manned from the point of view of Safety Of Life At Sea (Regulation 13, Chapter V, SOLAS). If the manning is considered sufficient, no further action is taken unless a complaint is received indicating otherwise. The issue of fatigue and its effects on seafarers is currently under consideration by the International Maritime Organization's Maritime Safety Committee. The availability to reduce manning due to advances in vessel automation has become a reality. Opponents of reduced manning indicate that crew fatigue results in ships being less safe. These allegations, although not documented, have created an awareness of this potential.

RULEMAKING ON INTOXICATED OPERATION OF VESSEL

Mr. LEHMAN. Section 7 of the Coast Guard Authorization Act of 1984 (P.L. 98-477, October 30, 1984), prohibits the operation of a vessel (presumably either commercial or recreational) while intoxicated. It also directs you to promulgage regulations defining "intoxicated" and implementing this section.

What is the current status of this rulemaking?

It is very scary down there in Miami on some of these weekends.

Admiral GRACEY. Yes, sir.

Well, I got us started into this program because it is something that I have felt very strongly about for a long time. I am delighted to see the way it has caught on and the way that the people around the country have picked up on it.

We had a proposed regulation that was submitted some time ago and it has just been returned to us. There is some question as to whether the Federal government should be in the business of promulgating standards to define intoxication, as regards recreational boaters. The feeling is that that is a state responsibility and that the Federal government should not do it. That is why it was held up.

We had combined the standards for commercial operators along with recreational operators but the feeling was that they should not be combined.

So it has just returned within the last couple of days from OMB and we will be dealing with that issue.

Mr. LEHMAN. You say you think that it is best that this be left to the states, but as the law is now, you will have to come out with this kind of a rule, will you not?

Admiral GRACEY. That is what we thought, sir, yes.

Mr. LEHMAN. And that is what you are going to do, I guess.

Admiral GRACEY. Well, all we can do is to start it up the road and if it comes back down again, we start it up again. Hopefully we will get there. But that is the——

Mr. LEHMAN. I understand your problems.

Admiral GRACEY. The feeling within at least part of the Administration now, is that it should not be done Federally for recreational boaters.

Mr. LEHMAN. It would not be the first disagreement that Congress had with the Administration.

Admiral GRACEY. Well, there is even disagreement amongst the Administration on this one, sir.

ALCOHOL INVOLVEMENT IN ACCIDENTS

Mr. LEHMAN. What will your agency do during the upcoming boating season, both in terms of education and enforcement to address the problem of alcohol involvement in recreational boating accidents?

Admiral GRACEY. We are working with the state people all the time, of course, and we are working with the National Association of State Boating Law Administrators, called NASBLA—a collection of people from each state that meet regularly to try to get some uniformity and to project this business of levels of intoxication. It is also, of course, a thrust in the National Boating Safety Week and Presidential proclamations.

We have a seminar that is going to be held by the National Safe Boating Council and essentially it is a publicity business; and we are working through the various organizations like NASBLA and the National Sale Boating Council, those kinds of people to get things into place.

Mr. LEHMAN. We have data indicating that 50 percent of all highway fatalities are alcohol related. What percentage do you think boating fatalities would be?

Admiral GRACEY. Well, I saw a number the other day that somebody said that it was 55 or 60 percent in one particular locale. California has done some work and done a study. I think they found that it was something like 50 to 60.

Mr. LEHMAN. Whatever data that you have would you supply it for the record please?

[The information follows:]

The Coast Guard believes that some degree of impairment by alcohol may be involved in as many as 50 percent of recreational boating fatalities. Improvements in accident reporting and investigation should provide more definitive national data in the near future. States are now required by law to submit to the Coast Guard information and statistics concerning the number of casualties in which the use of alcohol contributed. Greater awareness of the role of alcohol and improvements in alcohol detection and other accident investigative techniques will increase knowledge.

A two-year State of California study, November 1983—October 1985, revealed a direct relationship between intoxicated boat operators and serious motorboat accidents. The study cited some difficulties in data collection, but did establish from data available that in approximately 59% of the fatal motorboat accidents during the study period, alcohol was a factor.

Admiral GRACEY. You probably read in the newspaper that one of the things that is being done at our behest as part of our research and development program was to hire a firm to run some tests with the Maryland State Marine Police. It drew a lot of smiles because it involved having people drink and drink a certain amount on land, test them, and then go out and have some drinks on the boat and test them again—not on top of what they had already had, but to have some actual inplace tests. There are all kinds of theories about what the boat motion and the bright sun will really do to people.

And that is part of what we are doing this summer, too.

Mr. LEHMAN. I have seen too many men go fishing in the Keys and they buy their half pint for the hip pocket at the same time that they buy their bait.

Admiral GRACEY. It is an old tradition, sir. The old cocktail flag flying from the mast and you take the case of beer and go out fishing. But the problem is that things happen very fast out there.

VOLUNTARY EDUCATION AND SAFETY AWARENESS PROGRAM

Mr. LEHMAN. On January 8, 1986, in response to the Safety Recommendations M-85-68, you stated that you did not concur with the Safety Board's recommendations to require the licensing of captains of commercial fishing vessels but would pursue a safety awareness/education program.

The Safety Board's report on the sinking of the *Amazing Grace* points out that voluntary programs have not been successful in the past and there is no reason to believe that voluntary education programs will be successful in the future.

What do you feel has changed in the fishing industry which leads you to believe that a voluntary education and safety awareness program will be successful?

Admiral GRACEY. A variety of things. For one, there has never been a program like the one we have going now. And by the one

we have going, I mean the one that is developing in cooperation with the academic community, and the fishing community and the insurance industry.

There has never been an approach quite like this. We have put out some educational materials specifically written for fishermen that talk about the problems in real terms that they can understand. Another is designed for people who are designing fishing vessels. The thing that makes me believe this has a possibility of success, and I should have mentioned this as one of the things that we are doing in the privatization bit, is that we have gotten a great response from the people who have reviewed the guides on how to keep your boat safe, how not to overload it, what to look out for when the sea is coming from a certain direction, when you have a certain kind of load. The reaction has been marvelous. My only hope is that it will catch on. The insurance rates are going out of sight and we have been working with insurance companies to do as they do with automobiles. If this fisherman or this boat or this ship introduces certain safety features, carries an EPIRB, shows you that he has been trained and has been through a certain kind of a check, voluntarily, will you reduce the rates?

I think that it will take a long time for that to come, but I think it is one of the answers. It is working now essentially. As accidents occur, rates go up and the rates are so high that a lot of fishermen are not going to be able to afford them and cannot already.

I do not blame the insurance industry for that because the experience is the worst in the world of any kind for industry; it is awful.

The wives and the families are involved now in this program; and I think that may have a big salutory effect. We have also got a lot of parents groups involved. And we have the universities involved. I am hopeful it is going to go. I think that we are on the right track.

Mr. LEHMAN. You have to give it your best shot.

Admiral GRACEY. You bet, yes, sir.

Mr. LEHMAN. Mr. Coughlin?

VTS NEW ORLEANS

Mr. COUGHLIN. Thank you, Mr. Chairman, I just have one question.

I think last year's budget contains some funds for VTS in New Orleans and what is the status of that project now?

Admiral GRACEY. It is going forward, sir.

Mr. COUGHLIN. Has that gone out to bid?

Admiral GRACEY. I will be able to tell you specifically in a few minutes or this afternoon.

I do know that it is going forward and I am not aware of any glitches with it.

There was some question about some of the people who were going to do the work, but I think that has all been resolved.

Mr. COUGHLIN. If you could provide that to me, if it has gone to bid or it has been contracted, I would appreciate it and who has the contract?

Admiral GRACEY. Sure.

[The information follows:]

The Department is currently reviewing the project's Purchase Request and Statement of Essential Need. The Request for Proposal will be released shortly after receiving Departmental clearance.

Mr. COUGHLIN. Do you have any other VTS systems in the fiscal year 1987 budget or in your multi-year planning documents?

Admiral GRACEY. Not new ones, no, sir.

Mr. COUGHLIN. None at all?

Admiral GRACEY. No.

We are expecting obligation in the fourth quarter of 1986 on the New Orleans project. We are about to go out for solicitation.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. LEHMAN. Mr. Conte has some questions for the record which we will insert.

AIREYE SENSOR SYSTEM

Mr. CONTE. I understand that the AIREYE sensor system was used to locate Challenger debris. Could you comment on the use of AIREYE for that purpose, and in general comment on your experience with the AIREYE system?

[The information follows:]

Implementation of the prototype AIREYE system began in October 1985 when Air Station Miami started to fly operational AIREYE missions in support of the Seventh District Law Enforcement Program. From the limited operational experience gained to date, the AIREYE system is expected to greatly enhance wide area surface search and surveillance capability; provide basic, on board, target classification; and provide Coast Guard aviation with its first, true, night classification and identification capability.

In the days following the tragic loss of the space shuttle Challenger, and AIREYE equipped HU-25A aircraft flew five sorties in support of NASA efforts to locate and recover debris. Flying at an altitude of 5,000 feet, the AIREYE sensor system provided wide area search coverage with its Side looking Airborne Radar (SLAR), and sensor contact classification using computer enhanced infrared and ultra-violet imagery. AIREYE contacts classified as possibly being debris were then passed to helicopters and vessels for investigation and recovery.

SECURE COMMUNICATIONS NEEDS PLANS

Mr. CONTE. I understand that the Transportation Systems Center has recently completed a study on the Coast Guard's secure communications needs. Could you comment on that study, and on the Coast Guard's plans for secure communications?

[The information follows:]

The completed Transportation Systems Center study is a requirements analysis for a cryptologically secure short range command, control, and communications (C3) system only. This system is a subset of the overall secure communications needs of the Coast Guard. The Coast Guard's Secure Telecommunications Plan (STCP) details our present capabilities and outlines our future plans for securing our telecommunications systems. The Coast Guard's goal is to secure all operational and administrative voice/data/record telecommunications by the early 1990's.

DIGITAL COMMUNICATIONS SYSTEMS

Mr. CONTE. In last year's Committee report, we directed the Coast Guard to continue its review of digital communications systems. Has the Coast Guard had an opportunity to review any digital communications proposals, and does digital communication meet the Coast Guard's communications needs?

[The information follows:]

The Coast Guard has reviewed several proposals from commercial companies to provide us with digital communications. Although each proposal did offer a way of protecting these communications, we require a National Security Agency (NSA)-approved, cryptologically secure system. We envision a system that will protect communications for current operations and will allow the Coast Guard to continue to move toward more secure operations. We are not planning on implementing any communications systems that do not meet our security requirements or are not NSA-approved.

378-FOOT FRAM PROGRAM PROGRESS

Mr. CONTE. Could you bring us up to date on the progress with the 378-foot cutter FRAM program?

Are you satisfied with the level of cooperation between the Coast Guard managers and the shipyards, especially with regard to the timely provision of Government Furnished Information (GFI)?

Do you anticipate any problems in funding or scheduling for the FRAM program?

[The information follows:]

FRAM contracts were awarded on June 17, 1985 to Bath Iron Works, Bath, Maine (4 ships), and Todd Pacific Shipyards Corporation, Seattle, Washington (8 ships). Both contracts are firm fixed-price multi-year contracts with provisions for escalation.

The first two ships, Hamilton and Mellon, were delivered to Bath and Todd respectively in October 1985 for the start of contract work. During 1986, FRAM will begin on the following ships:

Ship	Yard	Start of FRAM
Sherman	Todd	April.
Dallas	Bath	August.
Munro	Todd	November.

Our relationships with the shipyards are businesslike and we are working on improving the level of cooperation between the Resident Inspector Offices and contractors. The Coast Guard has had some delays in providing Government furnished information (GFI) to the contractors. Most GFI has been provided and the remaining GFI is receiving priority attention. Todd Shipyards has informally advised us that they are behind schedule on the West Coast lead ship (MELLON) due to late arrival of GFI. We are hopeful that we can recover with little or no schedule impact.

Recently, unanticipated damage was discovered during inspection of the HAMILTON's reduction gear. The method of repair and the impact on the FRAM schedule, if any, are currently not known.

Our FY 1987 budget request, together with the proposed reprogramming of the FY 1986 Department of Defense Coastal Defense Augmentation Account, will provide sufficient funding for FRAM through FY 1987.

FALCON JETS ENGINE PROBLEMS

Mr. CONTE. As you know, an Inspector General report last year was quite critical of the efforts to solve the engine problems on the Falcon jets.

Have you found a solution to that problem?

How well is it working?

[The information follows:]

Technical problems have been identified and are being solved. The engine manufacturer has identified technical solutions which have resulted in increased intervals between maintenance inspections, reduced engine corrosion and upgraded internal components. An independent technical review conducted by USAF Aeronau-

tical System Division engineers concluded that the maturation of the engine is consisent with industry standard and recommend that an engine improvement program be developed to reach durability and reliability goals. Programs are being developed for the one time engine improvements identified by the USAF Engine Review Team, and for coordinating with the manufacturer for a continuing engine component improvement program (CIP). The engine test facility being built at the Coast Guard Aircraft Repair and Supply Center will be operational by the summer of 1987, improving engine availability as repair turn-around times are reduced.

NON-EMERGENCY SEARCH AND RESCUE POLICY

Mr. CONTE. There have been some concerns that various stations are not following your policy of handling non-emergency search and rescue cases to commercial services, where available. What could be done to improve adherence to this policy, and do you see any need to make this policy statutory?

[The information follows:]

We recently promulgated more specific guidance to the field on our role in non-emergency assistance. Complaints from commercial operators have dropped since policy clarification. The Coast Guard is committed to the policy; there is no need to make it statutory.

LONDON OFFICE

Mr. CONTE. Would you explain why your London office is necessary?

[The information follows:]

The office in London is the location of Commander, Coast Guard Activities Europe, the Coast Guard's on-scene commander for the European theater. The primary function of Activities Europe is the command and control of eleven LORAN-C stations (5 Coast Guard-manned and 6 Host Nation-manned). The LORAN-C navigation system is present in the European region to meet the navigation requirements of the U.S. Department of Defense. The individual stations are not staffed to be self-supporting, but are dependent upon the centralized administrative, engineering, and logistic support provided by Activities Europe. In addition, the Commander is responsible for the safety, well being, and support of the Coast Guard personnel and their families assigned to the European LORAN-C stations. This requires that he be in close proximity to them.

During normal peacetime operations, Commander, Coast Guard Activities Europe serves as Coast Guard advisor to the Commander in Chief, U.S. Naval Forces, Europe (CINCUSNAVEUR). Upon mobilization, he assumes his wartime role of Commander, U.S. Coast Guard Forces, Europe under the Operational control of CINCUSNAVEUR and Commander in Chief, Atlantic Fleet (CINCLANTFLT) with additional functions assigned as per classified plans. In this capacity, he is responsible for the execution of all Coast Guard programs within the U.S. European Command, particularly Commercial Vessel Safety and Port Safety and Security. These joint operations responsibilities require a European location for the Coast Guard Commander and his staff. Department of Defense readiness exercises have continually shown the benefit of having the Operational Commander of the European LORAN-C chains located in the European Theater to respond to rapidly changing wartime scenarios.

Other contingency plans require close liaison between the staffs of the Coast Guard and Navy offices in London, as well as liaison between the Coast Guard staff and the other major DOD Commanders in the European theater with navigation interests—Commander in Chief, U.S. European Command (USCINCEUR) and Commander in Chief, U.S. Air Forces Europe (CINCUSAFE). The quick response permitted by the London location of Activities Europe allows the Coast Guard to maintain the navigational system reliability required by DOD.

The London office provides an on-scene location which in time of war would coordinate the rapid expansion of Coast Guard Forces to facilitate U.S. operation of all European LORAN-C stations and provide qualified personnel for explosive ordnance handling operations.

The London location of Activities Europe permits it to work directly with a number of international maritime safety and navigation organizations to further

U.S. interests. These include the International Maritime Organization, the International Lifeboat Conference in England, and the International Association of Lighthouse Authorities in Paris. In addition the office exchanges information with Trinity House, Royal National Lifeboat Institute, and the British Coast Guard.

Its London location also allows Activities Europe to provide effective engineering support for OMEGA radionavigation stations in Liberia, Norway, Argentina, and La Reunion Island.

OVERSEAS COAST GUARD MISSION

Mr. CONTE. Please explain how the Coast Guard's overseas presence fits into the Coast Guard's overall mission.

[The information follows:]

The majority of the Coast Guard's overseas presence is in U.S. territories. Our basic missions of Maritime Safety, Law Enforcement and Defense Readiness are extended to those locations by the fact they are U.S. possessions (Puerto Rico, Virgin Islands, Guam). A major segment of Coast Guard operations overseas provides long range navigation services for Department of Defense. This is in keeping with our statutory responsibilities and expertise in this field. Another major segment of Coast Guard operations overseas provides long range navigation services for Department of Defense. This is in keeping with our statutory responsibilities and expertise in this field. Another major segment of Coast Guard operations overseas provides security assistance to foreign nations in conjunction with the Departments of State and Defense. Many countries have naval forces that are more closely aligned with the missions of the U.S. Coast Guard than the U.S. Navy. We provide the assistance requested in conjunction with our nation's foreign assistance policy.

COASTAL DEFENSE AUGMENTATION FUNDING PROPOSAL/JUSTIFICATION

Mr. CONTE. For the proposed expenditure of the $375 million Coastal Defense Augmentation initiative funds, please provide a listing of the Coast Guard's original proposal to OST for the expenditure of those funds, along with a narrative justification for each item.

In addition, please indicate what the recommendation was by OST to OMB for each item on the $375 million list.

[The information follows:]

The Coast Guard's proposal for the expenditure of the $375 million Coastal Defense Augmentation funds is reflected in my February 20, 1986 letter to the Chairman, Subcommittee on Transportation, House Committee on Appropriations. This letter forwards a spending plan for all Coast Guard Acquisition, Construction, and Improvement projects to be funded with fiscal year 1986 Coast Guard appropriated funds as well as for the $375 million Coastal Defense Augmentation Account. The plan represents a consensus between the Coast Guard, OST and OMB on initiatives to be funded with the DOD funds. A listing of the proposed items along with narrative justifications excerpted from the February 20 letter follow.

U. S. COAST GUARD
SPENDING PLAN
COASTAL DEFENSE AUGMENTATION ACCOUNT
($000)

Project	DOD Conference Report Levels (Units)	Reprogramming Proposal: Shift to Unfunded FY 1986 Projects	Reprogramming Proposal: Shift to Proposed FY 1987 Projects	Reprogramming Proposal: Spend as Earmarked in DOD Conf. Rpt.	Reprogrammed Totals (Units)
Projects Earmarked by DOD Conference Report: ($155,625)					
Medium Range Recovery (MRR) Helicopter	41,000 (3)	0	0	41,000	41,000 (3)
Buoy Tender (WLB) Service Life Extension (SLEP)	70,000 (5)	0	0	14,100	14,100 (*)
C-130 Aircraft	72,000 (4)	0	0	0	0 (0)
140-foot Icebreaking Tug	20,000 (1)	0	0	0	0 (0)
Forward Looking Airborne Radar (FLAR)/C-130 Modification	60,000 (27)	10,000	11,000	23,525	44,525 (24)
110-foot Patrol Boats (WPB) to Replace 95-foot PB's	112,000 (16)	0	15,400	40,600	56,000 (8)
P.L. 99-177 Sequestration	-18,375				
Subtotal DOD Conference Report Projects:	356,625	10,000	26,400	119,225	155,625
CG Unfunded FY 1986 and Proposed FY 1987 Projects: ($201,000)					
210-foot Medium Endurance Cutter (WMEC) - Midlife Maintenance Availability (MMA)		25,800	16,500		42,300
378-foot High Endurance Cutter (WHEC) - Fleet Renovation and Modernization (FRAM)		0	123,100		123,100
River Tender (WLR) Replacement		4,600	6,000		10,600
270-foot Medium Endurance Cutter (WMEC) - Procurement		0	4,400		4,400
Acquisition of Replacement Motor Lifeboat (MLB) Prototype		0	1,500		1,500
Polar Class Replacement Main Propulsion Monitoring and Control System		0	2,200		2,200
HU-25A Sensor Spares		0	2,900		2,900
Short Range Recovery (SRR) Helicopter (HH65A) Support		0	5,600		5,600
Secure Voice Communications Installation		4,800	1,600		6,400
Deployable Port Security Units (PSUs)		2,000	0		2,000
Subtotal, Coast Guard Projects:		37,200	163,800		201,000
Total Appropriation:	356,625	47,200	190,200	119,225	356,625

* Procure long lead time materials for future WLB SLEP's.

U. S. COAST GUARD
SPENDING PLAN
COASTAL DEFENSE AUGMENTATION ACCOUNT
($000)

DISCUSSION

Projects Earmarked by Conference Report
($155,625)

MRR Helicopter: This is a high priority project to replace existing Medium Range Recovery (MRR) helicopters. It fits well into present Coast Guard capital investment plans and is retained at full Conference report levels. (FY86: 41,000 FY87: 0)

Buoy Tender SLEP: The proposed funding level provides only for long lead time materials because the Service Life Extension Program (SLEP) cannot be accelerated without taking more buoy tenders out of service, resulting in an unacceptable loss of cutter days. Nine WLB SLEP's have been funded through prior year appropriations. The acquisition of long lead time material will support the SLEP of vessels 10 through 14 in the post FY 1987 time frame and is consistent with current production schedules. (FY86: 14,100 FY87: 0)

C-130 Aircraft: All Coast Guard C-130 aircraft will soon have expanded capabilities due to the installation of Forward Looking Airborne Radar (FLAR) which is also to be funded by this spending plan (see "C-130 FLAR" below). The existing fleet of 26 C-130 aircraft, with FLAR, will be adequate to cover operational needs. Also, any new aircraft would require additional follow-on funding for operating expenses to the detriment of other higher priority requirements. (FY86: 0 FY87: 0)

Icebreaking Tug: The present fleet of icebreaking tugs is sufficient to cover existing operational requirements. This additional resource is of relatively low priority. (FY86: 0 FY87: 0)

C-130 FLAR: These Forward Looking Airborne Radars (FLAR) meet high priority requirements directly related to the Coast Guard's defense readiness and law enforcement missions. They will make our existing C-130 aircraft more productive. There is a minor reduction in numbers of sets from that specified in the report (24 vice 27). However, this lower level will provide all the FLAR units needed and capable of installation during the FY 1986/87 time frame. (FY86: 33,525 FY87: 11,000)

Patrol Boat (WPB) Replacement: This replacement project remains a high priority program because of the material condition of the existing WPB fleet. However, requirements regarding competition in contracting limit the possibilities of extending the existing 110-foot Island Class WPB construction contract. In addition, the Island Class WPB does not meet the wide range of mission performance requirements for a fleet-wide WPB replacement vessel. The plan is for a new design followed by a competitive procurement. The proposed funding at a reduced level is consistent with this acquisition strategy.
(FY86: 40,600 FY87: 15,400)

U. S. COAST GUARD
SPENDING PLAN
COASTAL DEFENSE AUGMENTATION ACCOUNT
($000)

Unfunded FY 1986 and Proposed FY 1987 Projects

($201,000)

210' WMEC MMA and 378' WHEC FRAM: Both are high priority projects to continue modernization and rehabilitation of our existing major cutters. Their funding closely matches the intent of the Coastal Defense Augmentation account. Their strong connection with defense readiness and law enforcement is evidenced by the Navy's intimate involvement in both projects. Two-thirds of the MMA contracts are being completed under Navy contract management, and the Navy is providing some funding and equipment for the FRAM projects.

210' WMEC MMA: (FY86: 25,800 FY87: 16,500)
378' WHEC FRAM: (FY86: 0 FY87: 123,000)

River Tender (WLR) Replacement: This project replaces two aged one-of-a-kind river tenders with a standardized design. The existing cutters are very old and experiencing significant increases in operating and maintenance costs as well as unplanned downtime. Replacements are badly needed to help maintain navigability of critical interior waterways for national security and to facilitate interstate commerce.

(FY86: 4,600 FY87: 6,000)

270' WMEC Procurement: This continues the vital program to modernize our major cutter fleet. These cutters will operate almost entirely within the law enforcement and defense readiness mission areas.

(FY86: 0 FY87: 4,400)

Motor Lifeboat (MLB): This high priority project will replace the 44-foot Motor Life Boat (MLB) which provides fundamental support to all Coast Guard programs. The existing MLB fleet is reaching the end of its useful service life and is experiencing problems due to hull fatigue. The replacement MLB's design will enhance the boat's search and rescue capability by improving its sea kindliness and consequently its ability to come alongside disabled vessels to render assistance. This improvement will also have the added benefit of creating a much improved platform for the conduct of law enforcement boardings.

(FY86: 0 FY87: 1,500)

Polar Class Propulsion: The existing propulsion monitoring and control system aboard the Polar Class icebreakers (POLAR SEA, POLAR STAR) is poorly designed and unreliable. This project will correct these problems and insure that these icebreakers are operational into the next century. Reliable icebreaking operations are required to support important Navy and National Science Foundation research in the polar regions.

(FY86: 0 FY87: 2,200)

U. S. COAST GUARD
SPENDING PLAN
COASTAL DEFENSE AUGMENTATION ACCOUNT
($000)

Unfunded FY 1986 and Proposed FY 1987 Projects
(continued)

HU-25A Spares and HH-65A Support: These projects will provide critical support for operational resources supporting the defense readiness and law enforcement missions. The new Medium Range Search (MRS) aircraft (HU-25A) and Short Range Recovery (SRR) helicopter (HH-65A) are Coast Guard unique resources. Therefore, they are not covered by the DOD system of spares support. These projects are needed to bring Coast Guard support of these resources up to levels comparable to the DOD system.

HU-25A Spares: (FY86: 0 FY87: 2,900)
HU-65A Support: (FY86: 0 FY87: 5,600)

Secure Voice Communications: This project will provide support for both defense readiness and law enforcement operations. Secure voice cryptologic equipment is required to transmit national security information and to conduct timely and secure law enforcement and military operations. The project will install equipment provided by Departments of Defense and Justice at major shoreside operational commands and will install secure voice radios on cutters. (FY86: 4,800 FY87: 1,600)

Deployable Port Security Units (PSU's): The Coast Guard is tasked by the Joint Chiefs of Staff to provide Port Security Forces overseas with the necessary equipment to conduct operations in a deployed hostile environment. The Coast Guard is currently unable to meet these requirements because of a lack of required specialized equipment. This project will fully equip one PSU capable of overseas deployment for 60 days with support from major theatre commands. (FY86: 2,000 FY87: 0)

INTERNATIONAL WATERS VESSEL OPERATION INFORMATION

Mr. LEHMAN. There are numerous U.S. vessels which operate within the economic zones of other countries but are in international waters, particularly the mobile offshore drilling units.

The Safety Board advises me that both the Board and the Coast Guard have experienced difficulty obtaining crucial information on some accidents that have occurred on U.S. vessels in these economic zones from the economic zone country who have impounded the information.

Unlike in the aviation industry, there is no international agreement for the exchange of such information. Do you believe that this is a problem, and, if so, what do you intend to do about it at the International Maritime Organization (IMO)?

[The information follows:]

The International Maritime Organization has two separate resolutions which address the interaction and exchange of casualty information. These resolutions urge cooperation to the fullest extent subject to the flag states national laws. In the great majority of cases a free flow of information exists. The subject resolutions are currently being examined within the Legal and Maritime Safety Committees of the organization with a view toward expanding the recommended responsibilities between flag, port and coastal states. The draft resolution reiterates and reinforces the need for early exchange of information between the affected states.

BRIDGE SPANS

Mr. LEHMAN. According to the Safety Board, there have been two major casualties in St. Louis Harbor due to the mariners' inability to identify bridge spans.

Have you made any progress in the use of new and unique methods to assist mariners in identifying bridge spans?

[The information follows:]

The Coast Guard has recently developed a final regulation to give Coast Guard district commanders greater authority to require marking of bridges to enhance navigational safety. Under this Bridge Lighting and Other Signals regulation, the district commander may require the use of laterally significant lights or retroreflective panels on bridge piers, racons (radar beacons), or other signals deemed necessary to allow the mariner easier identification of the navigational spans of bridges.

With respect to the problem in St. Louis, lights were removed from the secondary spans of the Poplar Street Bridge to avoid confusion. Luminescent panels have been installed to identify the navigational span.

Mr. LEHMAN. We will now break for lunch and come back at 2.00 p.m.

AFTERNOON SESSION

SAN DIEGO/LONG BEACH HOUSING

Mr. LEHMAN. The Committee will come to order again.

I just have one question that was brought to our attention several weeks ago about Coast Guard housing.

I understand that there is a substantial shortage of affordable housing for Coast Guard staff and their dependents in the San Diego/Long Beach areas of the 11th District.

In that regard, I also understand that an 11th District planning proposal and a Board of Review empaneled by the Chief of Staff's

office recently recommended that the Coast Guard proceed to exchange a $12 million, 41-acre tract of Coast Guard property at San Mateo Point, California, with a private developer, selected through an authorized bidding process, who has agreed to provide the Coast Guard with an equal value of build-to-suit housing or other Coast Guard designed facilities.

Considering these recommendations, would you please explain why the Coast Guard has now determined to "excess" the property and turn it over, without compensation, to the General Services Administration as part of the Administration's "privatization" policy for surplus Federal properties?

Would not the goals of the Administration's "privatization" policy and the mission of the Coast Guard be better served by using Coast Guard property to obtain needed housing or other useful property, rather than giving it away, without any compensation, which will result in the Coast Guard losing a valuable asset and likely require that you subsequently seek additional appropriations from this Committee for these very same facilities?

Admiral GRACEY. I think the answer is in your question, Mr. Chairman. It is a part of the "privatization" process to release as much Federal holdings in property as possible. The course you follow, as I interpret what you are saying, is well, if you know that you are going to have to have some more property somewhere, why would you not work out a swap?

Mr. LEHMAN. Yes.

Admiral GRACEY. I am not fully up to speed on all the details of the San Mateo situation, but I think it has to do with the question of the value of the property and how the property would ultimately be used if we traded it, swapped it off with the developer.

Admiral Thompson has, I think, more detail on it and he has been overseeing the working of the problem.

Would you like to hear some more on that from him, sir?

Mr. LEHMAN. No. It just seems that you have $12 million in your pocket that you are going to send over to the GSA and then you are going to have to come to us for another $12 million to equal that amount.

Admiral GRACEY. I guess that since it is professed to be a value-for-value swap it would come out that way. I think we are talking about some really prime property, and I do not know for sure that GSA will, in fact, not be compensated for the property. You must have some information that that is so. I do not know that that it is.

I just know that the decision was made, as far as we are concerned, that we should not retain the property on a swap basis.

Mr. LEHMAN. Is it out of your control?

Admiral GRACEY. Essentially it is, sir.

We do need housing in that area, and we are working on some alternative ways to acquire it.

Mr. LEHMAN. Without going through the appropriation process?

JUSTIFICATIONS

Mr. COUGHLIN. Turn to the justifications.

On page 3 you show a total, including reimbursables, of 38,994 military and 5,772 civilian positions for fiscal year 1986.

What are your current employment levels?

[The information follows:]

As of 31 January 1986, the level of employment in the United States Coast Guard was as follows:

Military—38,018.

Civilian—5,437 FTP; 267 Other than FTP.

EMPLOYMENT PROJECTIONS

Mr. COUGHLIN. Are your projected end-of-year employment levels of 38,971 for military and 5,463 civilians still valid with the pending Gramm-Rudman-Hollings reductions?

If not, what are your revised projections?

If so, how will you be able to maintain those levels?

[The information follows:]

No, they are no longer valid. The revised projections include end-of-year employment levels of 38,200 for military and 5,444 for civilian personnel based on current funding levels.

RECRUIT LEVELS

Mr. COUGHLIN. On page 220 you are estimating 4,554 regular recruits in fiscal year 1986. Is your recruit input to date consistent with that level?

[The information follows:]

Yes, recruit input has generally been consistent with estimated requirements to date. Through February, 1986, regular enlistments are just 71 recruits below quota (1397 out of 1468). FY 1986 regular recruit load has been adjusted to 4,514.

RECRUIT SUMMARY

Mr. COUGHLIN. Would you provide for the record a month-by-month summary of your regular recruit input for fiscal year 1986?

And would you include your estimates for the months of March through September?

[The information follows:]

FISCAL YEAR 1986 REGULAR ENLISTMENTS

	Quota	Enlistments	Percent
October	485	485	100
November	308	286	93
December	70	59	84
January	225	228	101
February	380	339	89
March	418	[2] 350	84
April	458	[2] 375	82
May	466	[2] 425	91
June	[1] 0	0	...
July	570	[2] 570	100
August	570	[2] 570	100
September	564	[2] 564	100
Total	4,514	4,251	94

[1] There are no regular quotas assigned for June. Boot camp during June is reserved exclusively for Reserve recruits.
[2] Estimate.

FY 86 1st quarter quotas were cut by 500 in early November when it appeared we would have to make cutbacks in personnel to meet budget shortages. Later, when the picture changed, the 500 quotas were restored and spread over the summer

months. As a result, the summer quotas are abnormally large and do not permit us to make up shortages that did/will occur in the period Feb–May, a traditional "off-season". We have no waiting list to fall back on as we have in previous years.

ADVISORY COMMITTEES

Mr. LEHMAN. Last year you indicated that there was an extended discussion taking place within the Administration regarding advisory committees. I notice this year you have added another advisory committee to the eight that you were previously providing support.

Why should you be supporting an additional advisory committee when we are faced with the prospect of large reductions in other areas to meet our 1987 deficit target?

Admiral GRACEY. Well, first of all, I should point out, Mr. Chairman, that in his veto of H.R. 2466, one of the factors cited by the President was that it would have added some advisory committees.

So, proof positive is there that we are not adding advisory committees and/or do not want to. Actually there is a one-for-one swap here. We are adding a new committee, but we have also deleted a committee. The Ship Structure Committee is no more, and the committee that was added is the New York Harbor and Traffic Management Committee, which is a group working on the implementation of and overseeing the use of the vessel traffic service in New York Harbor. The cost is about $5,000 a year, so it was thought to be a miminal requirement.

It will meet in New York—there is no travel involved. The $5,000 is mostly for administrative typing and printing costs and that sort of thing.

Mr. LEHMAN. Mr. Coughlin, do you want to start a few of the operating expense questions, and I will pick it when you are ready?

OPERATING EXPENSES FROM BOAT SAFETY ACCOUNT

Mr. COUGHLIN [presiding]. Certainly, Mr. Chairman.

In Operating Expenses on page 21, you are requesting that $30 million of your appropriations be derived from the Boat Safety account.

What is the reason for this and what is the status of the authorizing legislation required to accomplish it?

Admiral GRACEY. One way to get the legislation is through the Appropriation Act, I guess.

What we are proposing to do, as I discussed yesterday, is to add $15 million from that account to the $15 that we have had in the prior years.

In essence the request is to reverse what was done last year, where $30 million went to the states and $15 million to us. The basis for the suggestion of the reversal is that $15 million is actually more than has been given to the states by $1 million or so over the last several years, except for 1986. In these tight times, the Coast Guard could do more overall good for the boaters and their safety with that $15 million than can be done through the states.

DRUG ENFORCEMENT EXPENSES

Mr. COUGHLIN. You are also proposing to delete the specific set asides for compensation and benefits of military personnel and for drug enforcement activities.

What is the reason for these proposed changes?

Admiral GRACEY. Well, that limiting language was added in 1985 and 1986 to avoid conflict with some personnel floors that had been specified in the Authorization Act. That conflict does not exist any more, so we do not need the language. Because of the multi-mission character of the Coast Guard, mandating specific amounts of money to be spent from OE for a given program really inhibits our ability to manage the force properly. In terms of the sense of Congress as to the magnitude of effort, it is helpful; but in terms of it being a specific legislative mandate, tied down so firmly, it really does tie our hands.

So, we would rather not have it.

Mr. COUGHLIN. What does your fiscal year 1987 operating expenses budget include for each of these two areas?

[The information follows:]

The fiscal year 1987 amount for compensation and benefits of military personnel is $820,700,000. The amount for drug enforcement activities is $372,983,000.

DEFENSE READINESS EXPENSES

Mr. COUGHLIN. On page 22 you indicate that your fiscal year 1985 obligations for defense readiness were approximately $100 million, which is about $26 million more than you projected according to last year's justification.

What was the reason for this increase?

Admiral GRACEY. Last year's estimate was based on 1983 data and there have been a lot of things happening in the defense readiness part of our program since then. We are into the Maritime Defense Zone business which, among other things, brings our shore units more into the defense picture than they have been in the past.

And we have been stepping up exercises. In actuality I think our current estimated figure for 1986 is going to be somewhere around $101 million, so that it is very much in the ballpark, that $100 million.

Mr. COUGHLIN. Would you provide a detailed breakdown of this $26 million for the record?

[The information follows:]

As indicated, our FY 1985 estimates were based on actual FY 1983 data. However, the allocation of resources to our Defense Readiness function FY 1983 was understated by $13.8 million. Since our Operating Expenses budget is constructed incrementally from an existing base, the Defense Readiness function was also understated in our later estimates. Our FY 1987 budget presentation reflects adjustment of the FY 1985 amount as follows:

	Thousands
FY 1985 estimate in FY 1986 budget	$73,615
Adjustments:	
Increase to base to correct FY 1983 understatement	$13,827

	Thousands
Increase to reflect revised level of activity and increased emphasis on Defense Readiness as evidenced in increased involvement in Maritime Defense Zone activities as well as increased participation in Joint Service or Coast Guard exercises and an increase in the number of units participating, e.g., 234 units participated vs 200 units originally planned	$12,081
Total adjustments	25,908
FY 1985 actual in FY 1987 budget	99,523

OFFSETTING COLLECTIONS FROM FEDERAL FUNDS

Mr. COUGHLIN. What is the basis for your estimate of $48.84 million in offsetting collections from Federal funds?

[The information follows:]

The $48.84 million is based on the level of collections from federal agencies for reimbursable programs which include Department of Defense funding for Tactical Law Enforcement Teams aboard Navy vessels ($15,000,000), other Department of Defense programs and other inter-agency arrangements.

SEARCH AND RESCUE WORKLOAD DATA

Mr. COUGHLIN. On page 24, does your search and rescue workload data include those cases which are referred to commercial operators?

If so, would you provide revised data showing only cases responded to by the Coast Guard?

[The information follows:]

Yes. Three percent of the FY 1985 cases were referred to commercial operators. Cases handed off to private enterprise require the use of Coast Guard communications networks and operations centers to coordinate an appropriate response. Moreover, they must be monitored by the Coast Guard until successful completion. Therefore, commercial cases actually involve a Coast Guard response.

PERFORMANCE DATA ESTIMATES

Mr. COUGHLIN. Are your performance data estimates for fiscal year 1987 as shown on pages 24 through 29 consistent with your fiscal year 1987 budget requests by activity as shown on page 22?

Admiral GRACEY. No, they are not. The page 22 data has separate amounts for the Headquarters Administration account and our Reimbursable program, while the data on pages 24 to 29 is a program type budget with all of our money spread over costs of all the programs. The more accurate presentation of the situation is on page 35 of our budget this year, where it spreads the Headquarters costs across all the programs as well.

AIRCRAFT AND CUTTER OPERATING HOURS

Mr. COUGHLIN. On page 27, to what extent are your cutter operating aircraft flight hours for the first five months of fiscal year 1986 consistent with your estimates?

Admiral GRACEY. Well, I am going to reflect some frustration that I have here, Mr. Coughlin. And that is that our accounting system simply does not provide the kind of data we need in a timely way. And that goes for our operating program as well.

We should be able to have more current data. The bottom line is that we do not. I cannot tell you how the percentages work, but I

can tell you that normally we have about 23 percent in the first quarter of the year, and I would guess we are probably going to have it higher for a couple of reasons. One, we have had an overlap between the H-52's and the H-65's. As we train the pilots for the new helicopters we are still keeping the old ones on board so there will be a special training time while the pilots get up to speed on the new aircraft plus operational time with the old ones.

But even more important than that, we have had some major drug operations going on in the Caribbean, and, we think that is going to increase the operation time.

Mr. COUGHLIN. For fiscal year 1987 you are projecting an increase of 7,500 cutter operating hours and 1,450 aircraft flight hours for general law enforcement.

Does this represent increased utilization of your existing cutters and aircraft, and if so, how are you going to accomplish this?

Admiral GRACEY. In essence, yes, it does. Most of the increase in hours for the cutters is due to the fact that we are bringing on some additional patrol boats in the new Island class.

Also, we have the new 270-foot cutters coming on line. There will be some overlap between their operation and their shakedown and when the replacement vessels go. But we are also expecting more hours out of those newer ships.

In terms of the new aircraft, we have been building up to our targeted time on the HU-25, the Falcon, and the new 65's, which are being built in as crews get trained and as we bring the air stations on line with them.

They are both programmed for more hours than in the past. I mentioned earlier that the HU-25's are up to about 640 hours a year where last year at this time they were considerably below that. So, that is cutter availability where this is reflected.

CUTTER AVAILABILITY

Mr. COUGHLIN. Would you provide for the record the projected availability for your cutters for fiscal years 1985, 1986, and 1987?

[The information follows:]

CUTTER AVAILABILITY

	Percent availability in fiscal year—		
	1985	1986	1987
CUTTERS:			
WHEC 378	50	56	52
WHEC 327,311	47	45	45
WMEC 270	32	51	42
WMEC 210	44	50	48
WMEC 230,213,205,180	39	41	39
WESE 110	21	33	41
WPB 110		41	53
WPB 95	57	56	55
WPB 82	63	62	60

Notes: 1. Cutter availability is the percentage of the year a cutter is not in a maintenance status. It includes underway and inport operational days, away from homeport training days, and, in the case of WPB 95 and 82, high readiness days.
2. Cutter availability for WPB 95s will continue to decline due to increasing age of the resources.
3. WHEC 378 and WMEC 210 based on non-augmented 185 day away from homeport standard.
4. WHEC 327,311 reflects expected decommissionings.
5. WMEC 270 reflects delivery of new cutters with postdelivery maintenance.

6. Fiscal year 1985 is actual and Fiscal year 1986 and Fiscal year 1987 are projected.

ADDITIONAL FLIGHT HOURS IMPACT

Mr. COUGHLIN. Do you have any estimates of what these additional operating flight hours will accomplish in terms of increased vessel boardings and drug seizures?

Admiral GRACEY. It is a little hard to forecast boardings, but, of course, the more you operate in an area where there is known activity, the more you will be able to board, the more you will encounter.

But we do not document boardings, per se, on a national basis. We focus on seizures. The ratio of boardings to seizures is not something we will know.

Obviously if you get more hours operating in a busy area, you will get more boardings.

We will get better detection. We will have more deterrence, and the more times an aircraft or a boat with that red stripe on a white hull is seen out there, the more deterrence we have, and we expect more detection, but I cannot give you figures.

SUPPLIES AND MATERIALS INCREASE

Mr. COUGHLIN. On page 30 you have proposed an increase of $64 million in fiscal year 1987 for supplies and materials. Including reimbursables, this increase is still approximately 22 percent over fiscal year 1986. What is the reason for this large increase?

Admiral GRACEY. I think I would like to ask the creator of that magic, if I may, Captain Willaims, to answer that.

Captain WILLIAMS. Yes, sir.

Mr. Coughlin, in 1986 because of the military pay raise that we got, but which was not included in the President's original budget, we had to fund it because it is an entitlement as we described yesterday.

As a consequence, what we do is that we have to take it out some place else—it is an internal reprogramming, as Mr. Pursell suggested.

That reprogramming principally comes out of supplies and materials. In 1987 the budget funds the pay raise, which means that we can go back to buying the supplies and materials we need. Plus, there is also a natural cost-of-living in FY 1987. Also in 1986 we do not show anything in that category for the defense readiness program because it is a reimbursable that year. In 1987 defense readiness is back in our own budget, according to our request, and that again adds and contributes to the growth of the supplies and materials category.

FY 1986/FY 1987 OTHER SERVICES

Mr. COUGHLIN. Including reimbursables, your other services are estimated to increase by nearly $10 million over fiscal year 1986. Would you provide for the record a breakdown of the fiscal year 1986 and 1987 estimated obligations for other services, including reimbursables?

[The information follows:]

ESTIMATED OBLIGATIONS FOR OTHER SERVICES

[Dollar estimates in thousands]

25.0 Other services	Fiscal year—	
	1986 estimate	1987 estimate
Overhaul of vessels	$52,736	$54,246
Overhaul of aircraft	42,631	43,852
Repairs/maintenance—shore facilities	95,724	98,464
Repairs/maintenance—electronic equipment	15,090	15,522
Repairs/maintenance—aids to navigation	5,656	5,818
Routine recreation services	357	367
Repair/maintenance—training aids	1,723	1,773
Automated data processing services	14,040	14,442
Other services	99,851	102,709
Total	327,808	337,193

Note (1) the fiscal year 1986 estimates are prior to the sequestration required by Gramm-Rudman-Hollings. Note (2) the fiscal year 1986 estimates are 3.2 percent above the fiscal year 1985 actual. The fiscal year 1987 estimates are 2.8 percent above the fiscal year 1986 estimates. These increases are less than the allowed inflation of 4.4 percent in fiscal year 1986 and 4.2 percent in fiscal year 1987.

FLIGHT TRAINING HOURS INCREASE

Mr. COUGHLIN. You are proposing an increase of almost 10,000 total flight hours in fiscal year 1987. We have already discussed your proposed increase related to drug enforcement, however, the largest element of this increase is for training.

Why are your flight training hours increasing by almost 5,000 hours in fiscal year 1987?

Admiral GRACEY. Essentially because it is a new aircraft and we have to retrain all our helicopter pilots in a new aircraft, and that just takes more time. It is not a case of maintaining proficiency, it is a case of building it and getting checked out and then maintaining it.

During fiscal year 1987 we are going to have ten additional air stations that we will be moving into the HH-65A aircraft.

Mr. COUGHLIN. Last year, you indicated that you expected to get about 2,000 to 4,000 hours from your simulators.

Is this projection still valid? If so, to what extent is this having an impact on your fight and training hours flown?

Admiral GRACEY. Yes, it is still valid. The simulators for both the HU-25 and the HH65-A are in place at the Air Training Center at Mobile, and are operational. They let us cut down training time ultimately because we can do a couple of pilots simultaneously on the simulators, while running an aircraft only one can do it at a time.

So, in effect, that alone doubles the productivity of our training hours.

Ultimately after they have been through this and have been into the aircraft and have been checked out and certified, then the simulators will help. It will be a cost avoidance, more than anything. We will never know what it might have cost because we will always have the simulators in place.

FY 1986 FLIGHT HOURS

Mr. COUGHLIN. Are your total flight hours to date consistent with your fiscal year 1986 estimate of 133,172 hours?

[The information follows:]

Yes, total available flight hour data is consistent with our fiscal year 86 estimate of 133,172 hours, after adjustment for subsequent budget reductions. Historically, 23 percent of our total annual flight hours is generated during the first quarter of a fiscal year. Twenty-three percent of our projected 133,172 employment hours for fiscal year 86 is 30,630 hours. During the first quarter of fiscal year 86, our aircraft generated 27,715 actual employment hours, which is 21 percent of our projected fiscal year 86 estimate. This difference is attributable to fiscal belt tightening efforts that were implemented at the beginning of fiscal year 86 in anticipation of potential budget reductions in the Coast Guard's operating funds.

AIRCRAFT EMPLOYMENT HOURS

Mr. COUGHLIN. Would you update for the record the table on page 223 of your justificitions to reflect any adjustments required because of Gramm-Rudman-Hollings?

[The information follows:]

DEPARTMENT OF TRANSPORTATION, U.S. COAST GUARD, AIRCRAFT EMPLOYMENT HOURS

	1985 actual	1986 estimate[1]	1987 estimate
Commercial vessel safety	21	49	50
Boating safety	176	150	150
Search and rescue	19,494	18,310	19,000
Domestic ice operation	153	250	250
Polar ice operations	1,363	1,496	1,550
Marine science activities	906	868	950
Enforcement of laws and treaties (ELT):			
Fish—Domestic	3,497	3,443	3,750
Fish—Foreign	5,153	5,046	5,600
Drugs	21,328	23,536	25,900
Other	4,789	5,661	5,950
Total ELT	34,767	37,686	41,200
Defense readiness	1,011	1,009	1,100
Operational training	49,032	52,527	57,100
Aids to navigation	4,490	4,907	5,200
Port and environmental safety	3,226	2,341	2,750
Marine environmental response	1,679	2,013	2,100
Test/ferry	4,120	4,530	4,800
Other/miscelleneous	8,483	7,036	6,600
Total	128,921	133,172	142,800

[1] Note: Since Gramm-Rudman-Hollings' reductions have not been finalized, their effect on the original employment hour projections listed above is unknown. However, fiscal year 1986 data presented do reflect a partial accommodation, through "squeeze down/slow down" efforts, of other shortfalls in the Coast Guard budget resulting from the fiscal year 1986 military pay raise and reductions below the President's requested level.

AIRCRAFT OPERATING COSTS

Mr COUGHLIN. Would you provide for the record a table similar to that included on page 217 of last year's justification showing aircraft operating costs?

[The information follows:]

DEPARTMENT OF TRANSPORTATION, U.S. COAST GUARD—AIRCRAFT OPERATING COSTS

Type	Number of aircraft: (operational/support)	Projected costs (millions)	Projected program hours (thousands)
Fiscal year:			
HC-130H	21/4	$33.810	17.6
HH-3F	30/7	19.883	19.2
HH-52A	44/0	23.470	32.6
HH-65A	34/2	14.534	19.8
HU-25A	34/7	41.752	27.2
VC-4A	1/0	.505	.5
VC-11A	1/0	.703	.5
Total	165/20	134.657	117.5
Fiscal year 1987:			
HC-130H	22/4	37.638	18.8
HH-3F	28/9	22.050	20.4
HH-52A	23/0	13.495	18.0
HH-65A	62/2	29.223	38.2
HU-25A	34/7	43.493	27.2
VC-4A	1/0	.526	.5
VC-11A	1/0	.732	.5
Totals	171/22	147.157	123.6

FY 1986 OPERATING EXPENSES OBLIGATIONS

Mr. COUGHLIN. Can you tell us what your operating expenses obligations were the first four months of fiscal year 1986 and what percentage this is of your total current fiscal year 1986 appropriation?

Admiral GRACEY. What question number is that, sir?

Mr. COUGHLIN. That is a no number question.

Admiral GRACEY. Okay, would you mind reading the no number question again, sir?

[The question was reread.].

Admiral GRACEY. No, sir, I cannot tell you off the top of my head. I would have to provide that for the record.

Mr. COUGHLIN. Okay, that will be fine.

[The information follows:]

The total obligations in Operating Expenses for the first four months of FY 1986 are $514,659,784. This is 32.3% of the total appropriations for Operating Expenses after the Gramm-Rudman-Hollings sequestration.

PROGRAM SAVINGS

Mr. COUGHLIN. On pages 40 through 43, you list a number of program savings amounting to nearly $30 million. To what extent do you believe that these savings, are, in fact, achievable?

Admiral GRACEY. We think they are all achievable. We are talking about annualizations, and terminations. They are all part of what we call budget category 1, which are our planned reductions.

And to some extent they have already started. We are talking about ships and ship decommissionings as they are being replaced. We are talking about automating things, and solar power conversions, which is just a continuation of a program that has been going on for a long time.

We have had good luck with A-76, and so we are pretty sure that that will continue. Although we are, as I mentioned this morning, embarking into some new territory with the idea of looking at managing entire bases.

The productivity reductions are going to depend on how good our imagination is as to how we can regionalize and consolidate, but we have some ideas that we think will work.

Mr. COUGHLIN. Are you concerned that any of these might have an impact on your ability to perform your various missions?

Admiral GRACEY. The things like the terminations and the annualizations are items that have been in the mill for some time. If an A-76 project would, in fact, have such an effect, we would not do it.

Obviously if you shut down a station or reduce it and consolidate it with something in another area, there will be some losses, there will be some gains. One example of an area that I am convinced will bear great fruit in a lot of different ways—and as I mentioned this morning— is the idea of regional recruiting commands. That is something I think will bear a lot of fruit, and it will save us some money.

MANAGEMENT IMPROVEMENTS REDUCTIONS

Mr. COUGHLIN. On page 43 you show a reduction of $7,182,000 as a result of improved productivity and management effectiveness which you indicate can be achieved while maintaining essential levels of service.

In which activities will these improvements and efficiencies occur?

[The information follows:]

The improved productivity savings will be accomplished through a series of management improvements, consolidations, regionalizations, and selected facility closures. These four groupings of productivity enhancements will extend across all of the Coast Guard's support programs and include some operating programs as well. Specific initiatives are still being developed and studied. Our aim is to minimize the impact on our organizational capabilities and service to the public. However, representative examples under consideration include:

Management improvements—further delegation of some regulatory functions, such as equipment inspections.

Consolidations—consolidating some operational and support services into other nearby and similar activities.

Regionalizations—creating regional hubs for selected support services.

Selected closures—closure or seasonalization of some low-use, less efficient operations.

FY 1986 INFLATION RATE

Mr. COUGHLIN. On page 44, you are requesting an increase of $20,253,000 for inflation and you indicate that this is based on a 4.2 percent rate of inflation.

What has been the rate of inflation since the start of this fiscal year?

[The information follows:]

OMB's inflation planning factor for the FY 1987 budget was 4.2 percent. For Coast Guard, this translates into an increase of over $35 million for the non-pay part of our Operating Expenses Appropriation. However, we have only requested $20.3 million; an effective increase of only 2.3 percent. Other funds that would have gone to offset inflation have been used to support follow-on requirements. The

actual inflation for the first quarter FY 1986 was 0.8 percent according to the Bureau of Economic Analysis, Department of Commerce. This annualizes to a 3.3 percent rate of inflation.

FUEL COSTS

Mr. COUGHLIN. In the past, it has been indicated that your fuel costs are approximately $100 million a year.

What does your budget assume with regard to fuel costs in fiscal year 1987 and if there are reductions that are anticipated, where is this reflected in your budget?

Admiral GRACEY. Well, we are figuring about $110 million in 1987, and we think they are going to be about the same as they have been in recent years. The budget does not talk about a reduction. We have not seen our fuel prices dropping significantly. We know that the per barrel cost is supposed to be down, but we are not seeing it yet.

We also are having some new equipment come on the line and we are planning for some of our helicopters and more hours for the cutters that are coming in.

So, on balance, we think it will all balance out. In Fiscal Year 1985 we were at about $108 million and fuel is a major part of our non-pay cost-of-living item. And it has been, in essence, short for the last couple of years. So we are holding the line.

Mr. COUGHLIN. Would you breakdown for the record showing your projected fuel costs for fiscal year 1987 and how they compare with fiscal years 1985 and 1986?

[The information follows:]

The actual total energy costs for fiscal year 1985 were $108 million. The fiscal year 1986 energy costs are anticipated to be approximately the same as 1985 because fuel savings projected from our current slowdown in operations will be offset by increases in utility costs and other energy categories. Total energy costs for fiscal year 1987 are expected to increase above the 1986 level as we return to normal operational levels.

MILITARY BENEFITS

Mr. COUGHLIN. You are requesting a $30 million increase to fund the 3 percent pay increase and other benefits for military personnel provided by the DOD Authorization Act.

Most agencies typically absorb about 50 percent of their pay cost increases. What portion of this 3 percent increase will you be able to absorb in fiscal years 1986 and 1987?

Admiral GRACEY. In 1986 we are absorbing the whole thing. 1987 is an annualization of the increase.

But we are not getting money for it in 1986, so if you figure that we get 100 percent in 1987 and nothing in 1986, that makes 50 percent.

Mr. COUGHLIN. Would you provide for the record a detailed breakdown of this $30,105,000 increase?

[The information follows:]

The $30,105,000 increase is comprised of the following items:

Basic pay	$16,510,900
Basic allowance for subsistence	1,500,000
Basic allowance for quarters	2,401,700
Selective reenlistment bonus	300,000
Severance pay	201,700

Death gratuities	150,000
Federal Insurance Contribution Act (FICA)	1,200,700
Family separation allowance	840,000
Hazardous duty incentive pay	1,210,000
Travel permanent change of station	740,000
Temporary lodging expenses	1,660,000
Dislocation allowance	3,390,000
Total	30,105,000

ANNUALIZATION OF PROJECTS

Mr. COUGHLIN. On page 45 you are requesting $23,203,000 for annualization of projects funded on a part-year basis in fiscal year 1986. Would you indicate the appropriate page of your fiscal year 1986 justifications where funding was initially requested for each of these projects?

[The information follows:]

Fiscal year 1986 budget

Item	*Page No.*
Station Gulfport, MS, Follow-On	42
HC-130 Follow-On	42
Rescue Swimmer	46
HH-65A Follow-On	43
Operate 140' Icebreaking Tug (WTGB 108) Follow-On	40
Operate 110' Patrol Boats (WPB) Follow-On	41
1-3 Purchased Aerostat Operation	46
270' WMEC Maintenance Augmentation Team (MAT)	41
270' Medium Endurance Cutter (WMEC)-Operate TAHOMA	41
270' Medium Endurance Cutter (WMEC)-Operate SENECA	41
270' Medium Endurance Cutter (WMEC)-Operate ESCANABA	41
270' Medium Endurance Cutter Follow-On Slippage	41
Groundwater Purging/Traverse City	47
Secure Voice Follow-On	44
Inventory Management, HU-25A & HH-65A	45
Aircraft Repair Support Center (ARSC) Quality Assurance Division	45
Contract Documentation Staff, Aircraft Repair Support Center (ARSC)	45
SUPRTCEN Boston Phase II Follow-On	44
A-76 Contract Administrtors	48
Family Housing O&M Personnel Follow-On	45
Key West Unaccompanied Personnel Housing (UPH) Follow-On	44

270 FOOT WMEC FOLLOW-ON SLIPPAGE ANNUALIZATION

Mr. COUGHLIN. Would you explain your $1.3 million annualization request for 270-foot medium endurance cutter follow-on slippage?

Admiral GRACEY. Captain Williams do you want to handle that or Captain Trainor?

Captain TRAINOR. The Congressional guidance in 1985 included language to the effect that our appropriation that year allowed for capital acquisition slippage at minus $1.3 million. Since the 270-foot program had experienced slippage that year, it would reduce that budget, in allocating the $1.3 million to the 270-program, actually a minus amount of that figure.

An annualization of these funds is back in the fiscal year 1987 budget.

ICEBREAKER FIXED COSTS

Mr. COUGHLIN. On page 46 you are requesting $25.5 million to fund icebreaker fixed costs. According to page 23, this is $900,000 more than fiscal year 1986.

Can you explain the reason for the $900,000 increase?

Admiral GRACEY. What we are talking about is a transfer of the funding base that exists in DOD and the National Science Foundation moving their money back in. A few years ago, I think it was 1983, money was moved out of the Coast Guard and spread among those agencies, and we have now wisely gotten it back.

The transfer was based on a cost allocation formula that was agreed to by all the agencies and endorsed among the overseers. And that is the only way I can explain it.

Mr. COUGHLIN. If you have anything else on that, would you put it into the record please?

[The information follows:]

Other than an increase for cost of living, there is no net increase in costs for the government. The $900,000 which is shown in the Coast Guard budget is a result of changes made in the formula which allocates icebreaker costs between user agencies. This formula was agreed to by all agencies. It shifts more of the fixed costs back to the Coast Guard, leaving the variable cost to be covered by reimbursements from user agencies. The net result is an increase in the funding responsibilities of the Coast Guard, and a decrease in those of other user agencies. The $900,000 increase funds the Coast Guard's increased responsibilities and should be offset by decreases in user agency budgets.

Admiral GRACEY. The Budget shows agency financing in 1985 of $24.3 million and in 1986, $24.6 million.

The progression there was $300,000 and it is just our best guess of what is the right way to transfer. In any event it is a no fund transfer because to the extent that we go up, the others go down.

NEW 270 FOOT CUTTER OPERATIONS

Mr. COUGHLIN. On page 47 you are requesting $7,328,000 to commission and operate two new 270-foot cutters.

However, on page 225, you indicate that while these cutters are scheduled to be delivered in fiscal year 1987, neither will be in operation until fiscal year 1988.

In view of this, why are you requesting funds to operate the cutters?

Admiral GRACEY. We have to operate them before they are fully on the line, Mr. Coughlin, and they will have their crews aboard, which is a major percentage of the cost. They will be operating in shakedown; they will be going in for more refresher training, training the crews, underway training. They will have to have some retrofit work done based on what they find out when they go to sea and things that the builder did not do right or whatever. They also have to sail to their home port.

All of those things add up to needing operational money.

Mr. COUGHLIN. There appears to have been major slippages in the past year in the delivery dates for these 270-foot cutters. SPENCER slipped from July 1985 to November 1985; SENECA from October 1985 to May 1986; ESCANABA from February 1986 to September 1986, and most of the subsequent cutters have slipped about seven months.

What has caused these delays and how confident are you of the revised schedule?

Admiral GRACEY. The last I heard was that the revised schedule was going along pretty good, sir. These are mainly a result of lessons learned.

SPENCER was the first ship to have been built by Derektor. The other four were built in another yard. We changed the Derektor contract and that introduced an initial delay in the contract time. It was to do, in his yard, a number of things that we did ourselves at Coast Guard Yard for the first four ships.

Now, we have SPENCER, and it is in shakedown. It has only been out a couple of months and we are beginning to learn things. As we learn things then we are having to make adjustments in the contract.

It is pretty much a matter of applying lessons learned, I think.

INFORMATION RESOURCE MANAGEMENT SYSTEM

Mr. COUGHLIN. Would you provide an explanation of your information resource management system, including the purpose, funds provided to date, efficiencies which have resulted, and estimated future costs?

[The information follows:]

The Coast Guard is an information-intensive organization with its diverse mission strategies and decentralized organization posing significant challenges to design of Information Resource Management (IRM) systems. Prior to FY-1986, we used modest in-house resources to study the best approach to IRM consistent with a low-risk approach. From that study came the concept of the IRM Systems project, and its major implementation piece, the Distributed Computing System (DCS). $1,436,000 was appropriated in FY-1986 to start the effort.

The Distributed Computing System is intended to improve Coast Guard resource management and personnel effectiveness through simultaneous improvement in management of information and implementation of a sorely needed mid-level information processing capability for District offices. We have microcomputers distributed throughout the Coast Guard and a mainframe computer at the Transportation Computing Center, but we lack an effective means of accessing and sharing data at District offices and major Headquarters units. The DCS project will provide a network of distributed databases implemented on minicomputers.

The pilot system will consist of computers at Headquarters and a pilot site. This will be expanded to include the eleven more Districts. We may elect to have fewer processing centers than one at each District, depending upon a number of factors (e.g. cost, management requirements, etc.)

The funds provided in FY-1986 ($1,436,000) have been used for development of an integrated architecture plan and pilot system procurement. No sites actually exist; however, a detailed cost benefit analysis prepared to examine the installation of minicomputers to support District offices shows a return of $3.89 for every dollar invested will be realized in cost avoidance and value enhancement through improved administration and decisionmaking.

Our outyear plans are still being refined; however, in recognition of need and the rapid advancement of technology, we hope to increase funding over the next four years from the $6.4 million shown in the budget to $11 million to complete the system.

PILOTS MAINTENANCE PERSONNEL FOR SRR HELICOPTERS

Mr. COUGHLIN. You are requesting $2,714,000 for pilots and maintenance personnel for your final 6 SRR helicopters, which are not scheduled for "implementation" until March and May of 1988.

Does "implementation" mean delivery or operation and why do you need such a large amount of funds so far ahead for these aircraft?

[The information follows:]

Implementation as used here means operation and maintenance. The actual delivery of SRRs 91 through 96 is not scheduled until mid 1988. However, the associated crew and maintenance dollars can be effectively used to implement 6 more FY 1987 delivered SRRs than would otherwise be possible considering the current delivery schedule and training program requirements. Without these resources six less FY 1987 delivered A/C could be implemented during that fiscal year. Six more operational aircraft in FY 1987 gives the Coast Guard the opportunity to ameliorate an immediate, existing problem, e.g., insufficient shipboard deployable helicopters to support current law enforcement efforts.

CUTTER TRAINING

Mr. COUGHLIN. On page 48, why do you need 14 additional positions for training for each new cutter? Why cannot the 14 personnel who conducted the training for the crew of the BEAR, which has been in actual operation for over a year, now be used to train the crew of one of the new cutters, sheduled for delivery in 1987?

Admiral GRACEY. When we went into the program with the 270's, we really stripped down the crew. It is a really tight crew on those ships. One of the theories was that we would do that through a variety of means.

I mentioned COMDAC this morning, and we have shore maintenance teams. But because they are fairly complex vessels in some respects, and because of the tight crewing, we need pipeline training. They have to be trained on the way to the unit.

If we take the crew off of BEAR, then we have to pipeline the people going on there.

The total program for that fleet calls for a continuous pipeline training process. We have a small training command established in Portsmouth, Virginia, for precisely that reason.

ADDITIONAL PATROL BOAT FUNDING

Mr. COUGHLIN. You are requesting $3,098,000 for crews and operating funds for five additional patrol boats. According to information provided last year, you were to have received the first five of these patrol boats this month. How many have actually been delivered?

Admiral GRACEY. We have two operating. The second one will be commissioned tomorrow. They are both in Miami. The schedule calls for one a month after that they are coming up pretty close to schedule.

DELIVERY DATES FOR PATROL BOATS

Mr. COUGHLIN. Would you provide the estimated delivery dates for patrol boats numbered 12 through 16 as well as any changes in the delivery dates of the first 11 as shown on page 865 of last year's hearing?

[The information follows:]

The expected delivery dates for patrol boats numbered 12 through 16 are the same as the contract delivery dates and are as follows:

WPB-1312—December 1986.

WPB-1313—January 1987.
WPB-1314—March 1987.
WPB-1315—April 1987.
WPB-1316—June 1987.
The first three patrol boats were delivered on the following dates:
WPB-1301—November 1985.
WPB-1302—January 1986.
WPB-1303—February 1986.
New delivery dates for boats numbered 4 through 11 are being negotiated with the contractor in light of delays resulting from the several tropical storms which occurred during 1985 in the vicinity of the contractor's facility.

AEROSTATS STATUS

Mr. COUGHLIN. What is the status of the contract for the two AEROSTATS that were funded in the fiscal year 1985 supplemental?

Admiral GRACEY. The two AEROSTATS are due to be delivered, in March and April. We have two different companies producing them, T-COM and RCA. When we get them, we will do a fly-off, and that should start late this spring.

Mr. COUGHLIN. What is the status of the contract and estimated delivery date for the C-130 aircraft which is funded in the fiscal year 1985 supplemental?

Admiral GRACEY. Captain Williams, I think, will be able to give you an answer on that, sir.

Mr. COUGHLIN. You can put it in the record, if you do not have it available.

Admiral GRACEY. Okay, we will do that.

[The information follows:]

$17.2 million provided in the Fiscal Year 1985 supplemental was obligated in September 1985 for one HC-130H aircraft. This aircraft is scheduled for delivery in December 1986.

FAST BOATS

Mr. COUGHLIN. What is the status of the contract and estimated delivery dates for the eight fast boats funded in the Fiscal Year 1985 supplementals?

[The information follows:]

The specification will be completed by March 14, 1986 and we estimate contract award 1-2 months after that date. Delivery dates will be staggered with all boats delivered before October 1, 1986. The Office of the Secretary of Transportation (OST) has given approval to the method of procurement.

UTILIZATION OF PATROL BOATS

Mr. COUGHLIN. What is the current utilization of your 100-foot patrol boats and how much will it be increased by adding another crew?

Admiral GRACEY. The current utilization is embryonic, and it is a little hard to tell what it is going to be. As I said, the second one is being commissioned tomorrow, and the first one has been in place about a month or two.

Normally by adding a second crew, we will get about 30 to 50 percent more. We have to keep a careful watch on that because we do not want to use it so much that we do not have time to maintain it properly.

Mr. COUGHLIN. Would you indicate for the record, the estimated fiscal year 1988 annualization costs for the items requested on pages 47, 48 and 49?

[The information follows:]

ANNUALIZATION OF BUDCAT 3 LINE ITEMS—FISCAL YEAR 1987 C-STAGE BUDGET

Line item	Description	Annualized FTE	Annualized dollars
3a	Commission and operate 270-ft medium endurance Cutters (WMECs)	30	2,179
3b	Information resource management system follow-on	3	86
3c	HH-65A personnel follow-on	13	315
3d	270-ft WMEC pipeline training	28	623
3e	Patrol boat follow-on	33	2,121
3f	Operate 2 aerostats follow-on	36	7,557
3g	Operate 1 C–130 follow-on	0	0
3h	Operate 8 fastboats follow-on	0	0
3i	Multiplecrew 110-ft WPBs	19	624
	Total	162	13,505

Note: "Annualized FT and dollars" are those incremental amounts necessary in fiscal year 1988 to bring the fiscal year 1987 initiated action up to the levels necessary for full-year funding.

OPERATE NEW FACILITIES AND EQUIPMENT

Mr. COUGHLIN. On pages 47, 48 and 49 you are requesting increases of $22,718,000 to operate new facilities and equipment.

Would you indicate for the record the estimated operational dates for those items for which funds are being requested?

[The information follows:]

BUDCAT 3a.

Vessel	Delivery/Shakedown	Fully Operational
USCGC TAHOMA (WMEC-908)	JAN 87	JAN 88
USCGC CAMPBELL (WMEC-909)	MAY 87	MAY 88

BUDCAT 3b. The software system will be delivered by the end of FY 1986.

BUDCAT 3c. The 6 HH-65A's will be delivered and operational as follows:

3 during 1st QTR FY 1987
2 during 2nd QTR FY 1987
1 during 3rd QTR FY 1987

BUDCAT 3d. 270' WMECs will be delivered and operational as follows:

	Delivery/Shakedown	Fully Operational
USCGC SPENCER (WMEC-905)	NOV 85	DEC 86
USCGC SENECA (WMEC-906)	MAY 86	MAY 87
USCGC ESCANABA (WMEC-907)	SEP 86	SEP 87
USCGC TAHOMA (WMEC-908)	JAN 87	JAN 88

BUDCAT 3e. 110' WPBs will be delivered and operational as follows:

	Delivery/Shakedown	Fully Operational
USCGC SANIBEL (WPB-1312)	DEC 86	MAR 87
USCGC EDISTO (WPB-1313)	JAN 87	APR 87
USCGC SAPELO (WPB-1314)	MAR 87	JUN 87
USCGC MATINICUS (WPB-1315)	APR 87	JUL 87
USCGC NANTUCKET (WPB-1315)	JUN 87	SEP 87

BUDCAT 3f. The Mobile Aerostat Platform (MAP) competitive procurement process is still ongoing, with a fly-off and selection of a manufacturer to take place the summer of 1986. Thereafter procurement will begin, with aerostats numbers 6 and 7 to be delivered during the fourth quarter of FY 1987, or early first quarter of FY 1988. Crews will need to be assembled, trained, and equipped prior to the arrival of these aerostats during the third and fourth quarters of FY 1987.

BUDCAT 3g. The additional C-130 will be delivered and operational in December 1986.

BUDCAT 3h. Sole-source procurement of the fastboats is proceeding as planned. Delivery will take place by October 1986 with operations commencing shortly thereafter.

BUDCAT 3i. These 110 foot patrol boats will be delivered in FY 1986.

COMPLETION DATES OF FACILITIES/EQUIPMENT

Mr. COUGHLIN. Would you also update for the record the completion dates of the facilities and equipment listed on pages 869 and 870 of last year's hearing, indicating the date shown last year as well as the current estimated completion date?

[The information follows:]

BUDGET CATEGORY	TITLE OF BUDGET ITEM	FY86 HEARING PROJECTED FULLY OPERATIONAL DATES	FY87 HEARING PROJECTED FULLY OPERATIONAL DATES
3a.	Commission and Operate 140' Icebreaking Tug (WTGB) WTGB-108	3rd Qtr FY86	3rd Qtr FY86
3b.	Commission and Operate 270' Medium Endurance Cutters (WMECs)		
	CGC NORTHLAND (OE funding provided FY85)	1st Qtr FY 86	3rd Qtr FY86*
	CGC SPENCER	4th Qtr FY86	1st Qtr FY87*
	CGC SENECA	4th Qtr FY86	3rd Qtr FY87
	CGC ESCANABA	1st Qtr FY87	4th Qtr FY87
	CGC TAHOMA	2nd Qtr FY87	2nd Qtr FY88
3c.	270' WMEC Maintenance Augmentation Team (MAT) Follow-on	Personnel Only	Personnel Only
	Boston	1st Qtr FY86	1st Qtr FY86
	New Bedford (partial)	4th Qtr FY86	1st Qtr FY87
3d.	Standard Terminal Follow-on	1st Qtr FY86	Completed
3e.	Patrol Boat Follow-on		
	WPB NUMBER 1301	1st Qtr FY86	1st Qtr FY86*
	WPB NUMBER 1302	1st Qtr FY86	2nd Qtr FY86*
	WPB NUMBER 1303	2nd Qtr FY86	3rd Qtr FY86*
	WPB NUMBER 1304	3rd Qtr FY86	3rd Qtr FY86
	WPB NUMBER 1305	3rd Qtr FY86	3rd Qtr FY86
	WPB NUMBER 1306	4th Qtr FY86	4th Qtr FY86
	WPB NUMBER 1307	4th Qtr FY86	4th Qtr FY86
3f.	Air Station San Diego Follow-on	4th Qtr FY85	Completed
3g.	Station Gulfport, MS Follow-on	3rd Qtr FY86	4th Qtr FY86
3h.	Relocate Gulf Strike Team Follow-on	2nd Qtr FY85	Completed
3i.	HC-130 Follow-on	1st Qtr FY86	Completed

Note: "Projected Fully Operational Dates" are the scheduled dates the cutter or facility will be fully operational, ready to perform all Coast Guard missions assigned. Normally, for example, cutters are delivered approximately 4 to 6 months before the operational date during which time outfitting, training, and sea trials take place. Approximately 6 months before the delivery date the crew is assembled for "pipeline" training prior to initially manning the vessel or station.

* Delivered

3j	Minor AC&I Shore Construction Follow-on		
	Group Communication Upgrade	2nd Qtr FY85	Completed
	Fuel Decontamination System	4th Qtr FY85	3rd Qtr FY86
	Sandblast Facility	1st Qtr FY86	2nd Qtr FY86
	Water Storage Tank	1st Qtr FY86	3rd Qtr FY86
	Relocate SAR School	1st Qtr FY86	3rd Qtr FY85
	Intermediate Boat Maint. Facility	1st Qtr FY86	4th Qtr FY86
	Covered Moorings/South Float	1st Qtr FY86	3rd Qtr FY86
	Station Boathouse	2nd Qtr FY86	3rd Qtr FY86
	Auto Craft Shop	2nd Qtr FY86	Indefinite
	MK 75 Gun Repair Facility	3rd Qtr FY86	Cancelled
	Relocate/Improve Medical Clinic	3rd Qtr FY86	3rd Qtr FY86
	Systems Maint. Eng. Facility Bldg.	3rd Qtr FY86	3rd Qtr FY86
	Boat Maintenance Facility	4th Qtr FY86	4th Qtr FY86
	Garage/Workshop	4th Qtr FY86	3rd Qtr FY86
3k	AIRSTA Cape Cod Med. Clinic Follow-on	2nd Qtr FY86	3rd Qtr FY86
3l	HH-65A Follow-on	FY86 at the rate of two per month the first 10 months, then 3 per month the last two months.	on schedule
3m	Support Center Boston Follow-on Phase II	3rd Qtr FY86	Completed
3n	Secure Voice Follow-on(Shore Units)	1st Qtr FY86	3rd Qtr FY86
3o	Communications Stations Improvements Follow-on	3rd Qtr FY86	4th Qtr FY87
3p	Key West Unaccompanied Personnel Housing Follow-on	2nd Qtr FY86	3rd Qtr FY86
3q	Family Housing Operation and Maintenance (O&M)		
	Support Personnel Follow-on		
	Milford Haven	4th Qtr FY85	4th Qtr FY86
	Wallops Island	4th Qtr FY86	4th Qtr FY86
3r	Waterways Follow-on (various small projects)	4th Qtr FY86	4th Qtr FY86
3s	Minor AC&I Unaccompanied Personnel Housing Upgrade Follow-on	2nd Qtr FY86	3rd Qtr FY86
3t	Personnel Support for HU-25A/HH-65A Aircraft	Personnel Only	Personnel Only
3u	Operate Coast Guard Procured Aerostat	4th Qtr FY86	4th Qtr FY86
3v	Operate Second Leased Aerostat	4th Qtr FY85	(1)

(1) Lease not renewed due to failure of Aerostat.

STAFFING SECURITY INVESTIGATION

Mr. COUGHLIN. On page 50 you are requesting 10 additional military positions to strengthen your security investigations.

Do you conduct all of your security investigations?

[The information follows:]

Yes, we conduct all background investigations (1052 last year) for our military personnel requiring security clearances. The Office of Personnel Management conducts approximately 60 background investigations annually on the Coast Guard's civilian employees. We anticipate a large backlog of cases for the next several years as we comply with Department of Defense requirements for clearance updates every five years. Without the additional agents it will be virtually impossible to provide adequate personnel security support to the Coast Guard. We will not be able to grant enough security clearances to properly exploit the available sensitive classified information from the Department of Defense and various Intelligence community sources required to perform the Coast Guard's missions. We could even be denied access to the U.S. Navy Classified Material System, which is very necessary to accomplish our basic tasks.

ENFORCEMENT OF RECREATIONAL BOATING STANDARDS

Mr. COUGHLIN. You are also requesting six additional positions to enforce recreational boating construction standards.

How large is your present staff in this area, and how much more frequently will you be checking boat manufacturers if your request is approved?

Admiral GRACEY. We have 19 people who are employed in enforcing the standards now, and that includes clerical personnel and inspectors on the scene. The additional six we are seeking would increase the frequency of inspections from once every two years to about once a year at the manufacturers site.

Mr. COUGHLIN. Would you provide for the record a summary of the violations disclosed by your present recreational boating construction staff during the past year?

[The information follows:]

Inspections of boat manufacturers by Coast Guard district boating technical personnel disclosed about 250 violations of regulations in fiscal year 1985. Additionally, these personnel conducted nearly 170 defect and consumer complaint investigations. The violations discovered include: improper hull identification numbers and labels; violation of safe powering, safe loading, flotation, fuel system, electrical system and marine sanitation device regulations; use of unapproved flame arestor; and violation of International Inland Navigation Rules and Regulations (COLREGS) navigation light rules.

Inspections that result in disclosure of violations of regulations occupy about one third of the time of district personnel. The balance is devoted to the identification and location of new manufacturers, educating manufacturers and interpreting the regualtions for them and responding to public inquiries about the regulations and other questions regarding boating safety.

PATROL BOAT RENOVATION/MODERNIZATION

Mr. COUGHLIN. On page 52 you are requesting $1.2 million for extraordinary maintenance of your 95-foot patrol boats. Did you not recently have a large scale AC&I program to modernize these patrol boats, and if so, when was this renovation program completed and why were not the problems with the hulls addressed at that time?

Admiral GRACEY. That program was wrapped up about six years ago. I think that it was fiscal year 1981 and fiscal year 1980. It was

stopped because the costs were inflating so fast it was getting out of hand.

However, we got all but about six of them done. We are going to replace those six with the additional 110-footers that are in the 16-boat buy.

The problem is with the hulls. It was recognized that we were using those hulls harder. I will point out in that regard that one concern we have about the 110-footers and how hard we run them is that they are an even lighter hull than the ones we have on the 95's. We have been using those patrol boats very hard in the last five years in the drug program, and they have been used hard over the years.

We have been really running the wheels off them in the last five or six years.

Mr. COUGHLIN. In addition to your request for extraordinary maintenance, routine maintenance represents a significant portion (approximately 24 percent or about $440 million) of your operating expenses budget. What are some of the major components of this $400 million to $450 million you expect to spend on maintenance during Fiscal Year 1987?

Admiral GRACEY. I am not sure I can tell you in terms of specific projects. I can tell you how we would break it down into categories. For example, our cutters would be about 3 percent—excuse me while I do some arithmetic. In terms of totals, we would spend about $43 million on what we call routine maintenance, about $3 million on electronics about $54 million on what we call naval engineering requirements, and then there would be miscellaneous other maintenance of about $38 million.

I can break it down that way for you, and we will provide that table for the record, if that will be helpful.

Mr. COUGHLIN. Can you provide that for the record?

[The information follows:]

The fiscal year 1986 budget projected approximately 24% of our Operating Expenses account for aircraft, electronic shore and vessel maintenance. Due to budgetary shortfalls and Gramm-Rudman-Hollings reductions this planned maintenance level is no longer achievable. The exact revised maintenance effort for this fiscal year has yet to be determined because of current budgetary uncertainties.

A reduced cost of living increase has been experienced for the second year in a row. This has resulted in actual expenditures less than budgeted. Also, in FY 1987 there will be fewer platforms to maintain. New aircraft are under initial warranty programs and several major cutters will be undergoing mid-life maintenance and fleet renovation and modernization (FRAM). The estimates for FY 1987 have been adjusted accordingly.

Approximately $402 million or about 22% of the Operating Expenses appropriation is budgeted for maintenance in FY 1987. The vessel maintenance and aircraft maintenance (FRAM). The estimates for FY 1987 have been adjusted accordingly.

Approximately $402 million or about 22% of the Operating Expenses appropriation is budgeted for maintenance in FY 1987. The vessel maintenance and aircraft maintenance programs include overhaul and replacement of mechanical, engineering and structural systems, as well as maintenance control, documentation, and provisioning. The shore facilities maintenance program includes repair of piers, wharves, and moorings, building rehabilitation and repair, utility system rehabilitation and road repair. Ocean engineering includes buoy and buoy chain maintenance, lighthouse maintenance, pollution response equipment maintenance, and diving equipment maintenance. Electronics maintenance includes rebuilding, repair, rehabilitation, and replacement of radar, sonar, avionics, and communications equipment.

MAINTENANCE COSTS ALLOCATION

Mr. COUGHLIN. How are your funds for maintenance costs allocated? For example, does each district submit a maintenance program at the start of the year, do you allocate a specific amount for maintenance to each district based on the number and mix of vessels and aircraft, and how do you monitor the maintenance programs in your various districts?

Admiral GRACEY. Well, first of all, the district managers are responsible for the execution of the program. But, yes, we get a financial plan from each district commander at the start of the year, and we have what we call postage adjustments. That is after the budget comes in, and we know how much money we are going to have to work with. We make some adjustments of our own based on things that are happening and things that have come up since the process started. And the funds are allotted to the districts on a quarterly basis.

This year, because of the slow-down, squeeze-down, they have been allotted on a monthly basis.

Mr. COUGHLIN. Would you indicate for the record a description of what your vessel and aircraft maintenance program will involve in fiscal years 1986 and 1987 similar to the information provided on page 873 of last year's hearing?

[The information follows:]

The fiscal year 1986 budget projected approximately 24% of our Operating Expenses account for aircraft, electronic, shore and vessel maintenance. Due to budgetary shortfalls and Gramm-Rudman-Hollings reductions this planned maintenance level is no longer achievable. The exact revised maintenance effort for this fiscal year has yet to be determined because of current budgetary uncertainties.

A reduced cost of living increase has been experienced for the second year in a row. This has resulted in actual expenditures less than budgeted. Also, in FY 1987 there will be fewer platforms to maintain. New aircraft are under initial warranty programs and several major cutters will be undergoing mid-life maintenance and fleet renovation and modernization (FRAM). The estimates for FY 1987 have been adjusted accordingly.

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AIRCRAFT AVAILABILITY

Mr. COUGHLIN. You have indicated that your servicewide aircraft availability goal is 71 percent. However, according to last year's hearings, the availability of your new Falcon jets was less than 50 percent for Fiscal Years 1983, 1984, and 1985 through last February.

What was the reason for this and what actions have you taken to correct this problem?

[The information follows:]

The HU-25A has shown a steady increase in availability and flight hours flow throughout the previous two years of operation as shown below. The statistics for NOV 85 through JAN 86 were separated to show the impact of the Gramm-

Rudman-Hollings Bill. In effect, we are experiencing a continued rise in availability, but a significant downturn in flight hours because of the mandated reduction in all Coast Guard operations.

Year	Availability (percent)	flight-hour rate (hrs/acft/yr)
Fiscal year 1984	44.9	563
Fiscal year 1985	47.8	641
August 1985–October 1985	56.2	650
November 1985–January 1986	51.2	536

The availability of this aircraft has been low due to maturation problems inherent in bringing a new operational resource on line, particularly when the resource is supported solely through commercial means. Provisioning support has been extremely difficult without the benefit of DOD inventory augmentation and because many parts are manufactured only in France, which requires extensive contracting efforts. Technical problems have arisen which have further exacerbated parts availability while redesign of components was taking place. The problems were experienced on this aircraft are not unusual for a new system. We are making slow, but steady progress at solving these infancy problems.

Mr. COUGHLIN. Would you update for the record the information on aircraft availability which was included on page 874 of last year's hearing and the specific information regarding the availability of the Falcon jets which was included on page 877 of last year's hearing?

[The information follows:]

Our recent aircraft availability is summarized below:

AIRCRAFT AVAILABILITY (%)

AIRCRAFT	FISCAL YEAR			
	1983	1984	1985	1986*
HH-52A	71.4	71.7	69.6	67.7
HH-3F	67.4	66.7	61.7	58.3
HC-130	76.8	74.8	77.3	76.6
HU-25A	46.7	44.9	49.0	51.5
HH-65A			32.0	46.6

*One quarter data

The table below summarizes the Coast Guard's experience with regard to HU-25A availability:

HU-25A AVAILABILITY

FISCAL YEAR	NMCM(%)	NMCS(%)	NMCB(%)	NMC(%)	AVAIL(%)
1983	30.9	22.4	--	53.3	46.7
1984	26.8	28.3	--	55.1	44.9
1985	18.3	19.0	13.7	51.0	49.0
1986*	14.5	18.1	15.9	48.5	51.5

*One quarter data

KEY:

NMC - Not Mission Capable
NMCM - Not Mission Capable due Maintenance
NMCS - Not Mission Capable due Supply
NMCB - Not Mission Capable due Both (Maintenance and Supply)

Availability (AVAIL) = 1 - NMC

IMPACT OF FRAM PROGRAM

Mr. COUGHLIN. Last year you indicated that with your FRAM program you planned to augment the crews of your high endurance cutters and increase their operating time.

To what extent have you been able to accomplish this?

Admiral GRACEY. That was the plan we started with way back in 1982, when we really got deeply into the FRAM thinking.

As we went along, it became clear that was going to be hard to do. There were so many things happening for the fleet and so many other kinds of requirements that we decided that we would really make out better if we took the same amount of resources and kept two of the 327-foot cutters running.

The problem being that we were going to get into a maintenance squeeze on those cutters if we tried to use that extra time.

This way we could get two full ship-years rather than part-years spread over the entire fleet, and we could focus them where we needed them the most.

Mr. COUGHLIN. What is the operating availability of your new medium endurance cutters?

Admiral GRACEY. It is really too early to tell. They have been operating very well, and very effectively, but there have been some shakedown problems and they have had a lot of underway training. I can tell you that BEAR was the first one out, and she has done some really fine and rather extensive work, but she has had some problems too.

I cannot tell you the availability figure.

CUTTER AVAILABILITY

Mr. COUGHLIN. Would you update for the record the information on cutter availability which was included on page 875 of last year's hearing?

[The information follows:]

CUTTER AVAILABILITY

	Percent availability—Fiscal year				
	1981	1982	1983	1984	1985
Cutters:					
WHEC 378	48	43	54	47	50
WHEC 327, 311	41	39	31	32	47
WMEC 270			12	49	32
WMEC 210	40	44	42	46	44
WMEC 230, 213, 205, 180	38	43	45	46	39
WSES 110			41	58	21
WPB 95	71	64	63	64	57
WPB 82	68	68	69	66	63

1. Cutter availability is the precentage of the year a cutter is not in a maintenance status. It includes underway and import operational days, away from homeport training days, and, in the case of WPB 95 and 82, high readiness days.

2. Cutter availability for WPB 95s will continue to decline due to increasing age of the resources.

3. WHEC 378 and WMEC 210 based on nonaugmented 185-day away from homeport standard.

CUTTER REPLACEMENT

Mr. COUGHLIN. Would you update for the record the listing of cutters on pages 879 and 880 of last year's hearing record, and show the age and replacement dates?

[The information follows:]

HIGH AND MEDIUM ENDURANCE CUTTERS AGE AND REPLACEMENT SCHEDULE

	YEARS IN SERVICE	REPLACEMENT YEAR
378' WHEC:		
715 HAMILTON	19	NA
716 DALLAS	19	NA
717 MELLON	19	NA
718 CHASE	18	NA
719 BOUTWELL	18	NA
720 SHERMAN	18	NA
721 GALLATIN	13	NA
722 MORGANTHAU	17	NA
723 RUSH	17	NA
724 MUNRO	15	NA
725 JARVIS	15	NA
726 MIDGETT	14	NA
327' WHEC:		
35 INGHAM	50	1988*
37 TANEY	50	1986*
311' WHEC:		
379 UNIMAK	44[1]	1987*
210' WHEC:		
615 RELIANCE	22	NA
616 DILIGENCE	22	NA
617 VIGILANT	22	NA
618 ACTIVE	20	NA
619 CONFIDENCE	20	NA
620 RESOLUTE	20	NA
621 VALIANT	19	NA
622 COURAGEOUS	18	NA
623 STEADFAST	18	NA
624 DAUNTLESS	18	NA
625 VENTUROUS	18	NA
626 DEPENDABLE	18	NA
627 VIGOROUS	17	NA
628 DURABLE	19	NA
629 DECISIVE	18	NA
630 ALERT	17	NA

213' WMEC:			
	6 ESCAPE	43[1]	NA
	167 ACUSHNET	43[1]	NA
	168 YOCONA	42[1]	1990*
205' WMEC			
	76 UTE	44[1]	NA
	85 LIPAN	44[1]	NA
	153 CHILULA	41[1]	1989*
	165 CHEROKEE	47[1]	1988*
	166 TAMAROA	43[1]	1988*
230' WMEC			
	38 STORIS	44	NA
180' WMEC			
	292 CLOVER	44	1989*
	295 EVERGREEN	43	1988*
	300 CITRUS	43	1989*

1 Includes Navy Service
* Decommissioning linked to 270' WMEC delivery/operational dates.

OPERATIONAL DAYS AWAY FROM HOMEPORT

Mr. COUGHLIN. Would you update for the record the listing included on pages 884 and 885 of last year's hearing record showing operational days away from homeport for each of your medium and high endurance cutters and icebreakers?

[The information follows:]

AWAY FROM HOMEPORT OPERATING DAYS 1/

	Fiscal Year		
	1983	1984	1985
WHEC:			
BIBB	101	135	146 2/
DUANE	160	129	96 2/
UNIMAK	127	106	206
HAMILTON	133	168	147
CHASE	166	168	120
DALLAS	189	128	177
GALLATIN	189	145	142
INGHAM	58	98	160
TANEY	106	94	166
SHERMAN	183	176	163
MORGENTHAU	176	147	177
RUSH	132	153	191
MIDGETT	167	187	199
MELLON	150	182	194
BOUTWELL	173	177	179
MUNRO	131	188	181
JARVIS	156	173	181
WAGB:			
NORTHWIND	134	177	124
WESTWIND	145	144	9 3/
MACKINAW	42	70	67
GLACIER	144	0 3/	191
POLAR STAR	206	114	176
POLAR SEA	157	240	227
WHEC:			
VIGILANT	112	167	136
ACTIVE	180	134	0 4/
DECISIVE	132	181	164
VIGOROUS	123	163	139
ALERT	127	196	145
TAMAROA	158	77	131
EVERGREEN	97	102	142

AWAY FROM HOMEPORT OPERATING DAYS[1] Continued

	Fiscal Year		
	1983	1984	1985
BEAR	N/A 5/	40 6/	159
TAMPA	N/A 5/	67 6/	73 6/
HARRIET LANE	N/A 5/	73 6/	26 6/
NORTHLAND	N/A 5/	31 6/	51 6/
RELIANCE	155	130	165
CHEROKEE	81	114	155
CHILULA	156	92	128
DILIGENCE	99	131	162
COURAGEOUS	144	191	143
STEADFAST	144	97	199
DAUNTLESS	134	170	126
LIPAN	129	129	36
UTE	132	153	107
ESCAPE	167	115	53
VALIANT	105	171	139
DEPENDABLE	171	166	118
DURABLE	155	136	167
ACUSHNET	38	164	156
VENTUROUS	155	117	178
CLOVER	119	149	156
RESOLUTE	148	171	153
YOCONA	111	148	103
CITRUS	119	121	169
CONFIDENCE	133	153	136
STORIS	142	148	173

1/ An Away From Homeport Operating Day is any day spent away from home port and not in a maintenance status.
2/ Decommissioned in FY85
3/ Ship in Major Maintenance Availability (MMA)
4/ Decommissioned while in Major Maintenance Availability (MMA)
5/ Not applicable, ship not in commission.
6/ Not fully operational; shakedown

MAINTENANCE COSTS

Mr. COUGHLIN. Would you also update for the record the table on total maintenance costs which was included on page 881 of last year's hearing record?

[The information follows:]

MAINTENANCE COSTS

Program	Fiscal year 1984	Fiscal year 1985
Vessel	$92,399,387	$97,668,841
Aircraft	56,537,024	57,875,994
Shore units	146,799,195	140,805,677
Ocean engineering	20,090,837	17,836,835
Electronics	44,538,415	47,303,258

CHANGE OF DUTY STATION COST

Mr. COUGHLIN. On page 222 you indicate that the average cost per change of station move has decreased by $500 since fiscal year 1983. But it is projected to increase by nearly $200 through fiscal year 1987.

What is the reason for this?

Admiral GRACEY. We have controlled the cost of the average transfer by transferring people shorter distances whenever possible and giving them longer tour lengths. So that has an effect on the average cost. But the 1987 increase is a result of the Defense Authorization Act with increased entitlements for military personnel.

AC&I WARRANTIES

Mr. COUGHLIN. Why are you proposing to drop the bill language requiring written guarantees for major acquisitions of the Coast Guard?

Admiral GRACEY. Because the Congressional mandate was heard to get that regulation out of the Department of Transportation and prepare regulations. We are complying with that, and those regulations will apply to us.

Mr. COUGHLIN. Please expand on your answer for the record?

[The information follows:]

Department of Transportation regulations requiring written warranties similar to those in the DOT Appropriation Acts of 1985 and 1986 are in the final draft stage. Consequently, we did not propose bill language for the FY 1987 Appropriation Act, since the Department of Transporation regulations will comply with the intent of Congress. A copy of the regulations will be provided to the Committee upon issuance.

Mr. COUGHLIN. The AC&I warranty language was first contained in the fiscal year 1985 appropriations bill. When was the regulation implementing this provision published?

Admiral GRACEY. They have not been published, yet, Mr. Coughlin. They are in the final clearance stage and they have to be published in the Federal Register for public comment That is coming, but I cannot tell you when.

Mr. COUGHLIN. Please provide for the record a copy of this regulation.

[The information follows:]

Warranty coverage has been proposed for inclusion in the Transportation Acquisition Regulation. We have provided comments to the Office of the Secretary of Transportation on the draft language. The regulation has not yet been issued by the Office of the Secretary.

FRAM WARRANTIES

Mr. COUGHLIN. What acquisitions have warranties been written for, and have you had any instances yet, where such warranties have been invoked?

Admiral GRACEY. The only major acquisition we have gone into in the period we are talking about is the FRAM, and we did have warranty provisions in that. It is still in process, so we have not had occasion to invoke the warranty yet.

FY 1987 AC&I BUDGET REQUEST

Mr. COUGHLIN. You are requesting only $77.1 million for acquisition, construction, and improvements projects for fiscal year 1987. You have testified in the past that you thought that a $300 to $600 million annual AC&I spending level is appropriate to adequately maintain your capital base.

How do you explain the $77.1 million request?

Admiral GRACEY. Well, I explain it in light of the fact that there is $592 million in fiscal year 1986. That is a combination of our money plus the $375 million that is in the Department of Defense for us.

The feeling was that it would be better to spread that over two years, approximately $300 million plus or minus per year.

Mr. COUGHLIN. Is your proposed fiscal year 1987 AC&I spending level adequate to maintain a capital base necessary to support your current level of service?

Admiral GRACEY. It is adequate if Congress approves the reprogramming request.

Mr. COUGHLIN. Your AC&I budget is composed of three broad categories—vessels, aircraft and shore facilities.

Would you briefly review the general condition of your physical assets in each of these areas?

Admiral GRACEY. We have made a lot of progress in the operating hardware—ships, boats, airplanes. We are making a lot of progress. There are a number of major contracts, and major programs that are underway, and we talked this morning about three or four that we are prepared to start now and really should get started on this year, 1987 that is.

So we have been on a transition threshold for a couple of years, and the future is pretty bright in that arena. I wish I could say the same about our shore plant. I really cannot. Our shore plant in some quarters is excellent and getting better. Our training command in Petaluma is in good shape, and will be even better when we finish the transition of the various functions from New York to California and build the buildings to go with it. But the smaller operating units and the older bases and support centers are really not in very good shape.

AC&I IMPACT OF GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. COUGHLIN. How much of the Gramm-Rudman-Hollings reduction in AC&I will result in permanent savings and how much will need to be restored by future appropriations?

Also, you were required to make uniform across-the-board reductions in your Fiscal Year 1986 AC&I projects to comply with the 4.3 percent Gramm-Rudman-Hollings reductions.

Will any of your AC&I projects suffer severe adverse impacts because of such reductions?

Admiral GRACEY. When you are talking about AC&I money, you are talking about funding essential capital projects. Anything that is not funded now is going to show up later on, because we do not ask for things we do not need. Reduced AC&I is deferred spending.

I must say that if we are not able to work out the reprogramming, however, we are going to be in rather extreme difficulty, because we will not have enough money next year to continue the major ongoing contracts that are now in place.

The Chairman spoke this morning about being careful about making contracts that would have to be terminated with high penalty costs.

We are going to be in that very situation, if we are not able to work out the reprogramming next year, for some of our contracts. I will expand on that for the record.

[The information follows:]

No severe adverse impacts will be realized because of uniform Gramm-Rudman-Hollings across-the-board reductions in the Coast Guard's Fiscal Year 1986 AC&I projects. In most instances minor reduction in the scope of a project or postponement of part of the requirement to a future year will be required. For example, most one year programs will be reduced in scope where possible. Minor reprogramming adjustments may be necessary in those cases where scope reductions are not feasible. Multi-year programs will essentially be stretched out. The 378-foot WHEC FRAM and HH-65A helicopter projects fall into this category.

AC&I PERSONNEL FUNDING

Mr. COUGHLIN. On pages 71 through 73 you show that you made additional reductions in each project beyond the 4.3 percent level in order to maintain your AC&I personnel account at the pre-Gramm-Rudman level of $19.25 million. Of course most other personnel accounts in the Department had to absorb the 4.3 percent reduction.

Why do you propose to fully protect this subaccount?

Admiral GRACEY. Well, this account has been cut down at below where it should have been for a lot of years. There are a number of things going on that really need the kind of people that are funded through the AC&I funding, and we decided that it was important to put the priority there.

AC&I UNOBLIGATED BALANCES

Mr. COUGHLIN. Last year we discussed some of the reasons why you were showing large unobligated balances in your AC&I account. What efforts have you made in the last year to improve your obligation rate, and, are you satisfied with your current record?

Admiral GRACEY. I think that my people have done an absolutely amazing job in the last couple of years in addressing the carryover problem. Periodically, I see a report that says it should have top level attention. I will guarantee you it has had my personal attention for the last several years.

And the effect is that in fiscal year 1985 we obligated $516 million, which is by far an all-time record for the Coast Guard. It is 99 percent of our projected plan, and the funds that were not obligated were held up by just things that were absolutely beyond our control.

PROCUREMENT PROBLEMS

Mr. COUGHLIN. Which particular procurements have proven to be the biggest problems in terms of getting funds obligated promptly, and why?

Admiral GRACEY. The multi-year programs are the place where we get into difficulty. You have to predict how each particular project is going to flow. There are progress payments, and you have to go as the progress goes. That is really the primary area in which we have had problems.

Another one, that has had a big carryover and caused some problems is in the Forward Looking Airborne Radar for the C–130's. That has been tied in with the Navy on a radar type they have. They changed course in midstream, and so we got held back on obligation there.

FRAM/MMA PROGRAM PROCESS

Mr. COUGHLIN. Are your multi-year FRAM and MMA programs for your 378-foot and 210-foot cutters back on track, and are they now proceeding on time, and on budget?

Admiral GRACEY. Yes. The 378 was awarded on time, and the ships are in the yards, and they are progressing. The "B" Class of the 210-foot contract is going to be awarded this June. It will be run by the Navy for us.

On the "A" Class, the funds are committed, but the work is not progressing as rapidly as we would want because of some personnel problems at the Coast Guard yards, where the work will be done. There are five ships in that category.

AC&I UNOBLIGATED BALANCES

Mr. COUGHLIN. Please provide for the record a breakdown of all AC&I unobligated balances in the same format as that which appears on pages 888 through 900 of last year's hearing record.

[The information follows:]

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1982 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
Surface Craft Shore Support	842,888	On Schedule	SEP 1986
Replace LORAN Towers	539,504	On Schedule	SEP 1986
SUPRTCEN Kodiak Personnel Activities Center	158,205	On Schedule	SEP 1986
WPB Shore Support	66,838	On Schedule	SEP 1986
Yorktown Officer/CPO UPH	34,475	On Schedule Outfitting	MAY 1986
Yorktown Ordance/Damage Control Classroom Building	21,094	On Schedule Outfitting	JUN 1986
Selected Aids to Navigation	23,007	On Schedule	SEP 1986
Lighthouse Automation and Modernization Program (LAMP)	43,277	On Schedule	SEP 1986
SRR Aircraft	226,394	On Schedule	SEP 1986
Automatic Test Equipment	459,589	On Schedule	SEP 1986
LRS Acquisition (C-130 PILOC)	426,264	Retrofit Provisioning	SEP 1986
Forward Looking Infrared Sensors	300,000	Operating Expense Reprogramming Source	Sep 1986
Forward Looking Airborne Radar	248,361	USN change of type	MAR 1986
Electronic Equipment Replacement	238,000	On Schedule	SEP 1986
378' WHEC FRAM	500,000	On Schedule	FEB 1986

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1982 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
WPB's Caribbean Ops 110's	320,831	On Schedule	SEP 1986
Rigid Hull Inflatable	1,660,121	On Schedule	SEP 1986
USCGC GLACIER - MMA	347,694	Funds Contractor Claim	JUN 1986
140' WTGB Procurement	112,795	On Schedule	SEP 1986

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1983 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
ATF Repairs	446,568	On Schedule	SEP 1986
Southeastern U. S. WPB 110'	98,645	On Schedule	SEP 1986
SRR Aircraft	64,454	Multi-year Project Provisioning Delay	SEP 1986
Forward Looking Infrared Sensors	365,000	Operating Expense Reprogramming Source	DEC 1986
Minor Shore Construction General - Gen	33,949	Outfitting	SEP 1986
AIRSTA E-City Hangar/ Duty Berthing	38,406	On Schedule Outfitting	MAR 1986
AIRSTA Cape Cod - Medical	124,475	On Schedule Outfitting	SEP 1986
SUPRTCEN Boston - Rehabilitation, PH II	99,617	On Schedule Outfitting	SEP 1986
Petaluma Classroom Building	198,895	Outfitting	MAR 1986

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1984 Projects DOD Funded	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
HC130 Search Radars FLAR	3,649,369	USN Change	MAR 1986
Active Gated TV*	7,101,000	Operational and Support Characteristics being reviewed	SEP 1987
HARPOON*	16,900,000	Change of Procurement Strategy	MAR 1987
AIRSTA New Orleans Expansion	396,286	On Schedule	SEP 1986
AIRSTA Kodiak Ready Crew Berthing	838,717	On Schedule	SEP 1986
AIRSTA Kodiak - Hangar Retorfit	546,700	On Schedule	SEP 1986
Marine Safety Office (MSO) Philadelphia, PH II	2,868,679	On Schedule	SEP 1986
Base Miami Beach Rehab	1,734,957	On Schedule	SEP 1986
SUPRTCEN Kodiak Family Support Center	232,754	On Schedule	SEP 1986
SUPRTCEN Kodiak Waterfront Rehab	48,900	On Schedule	SEP 1986
SUPRTCEN Kodiak Fire/ Security Alarm System	105,508	On Schedule	SEP 1986
Secure Voice Comms	395,970	On Schedule	SEP 1986
WPB Replacement 110'	595,060	Multi-year Proj On Schedule	SEP 1986
CGC STORIS MHA	879,936	Multi-year Proj On Schedule	AUG 1986

* Internal reprogramming to accomodate procurement replaced account with Fiscal Year 90 expiring funds.

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1984 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
Forward Looking Infrared Sensors (FLIR)	9,571,301	Operating Expense Reprogramming Source	SEP 1986
HU-25A Sensors - Aireye Integration	4,718,140	On Schedule	DEC 1987
Aerostat	5,600,000	On Schedule	AUG 1986
Maintain Long Range Search Capability - PH II	40,370	On Schedule	JUL 1987
HC-130 Forward Looking Airborne Radar (FLAR)	11,410,138	Procurement Delay Navy Contract	JUL 1987
Selected Aids to Navigation	3,306,593	On Schedule	SEP 1986
Minor ATON Solar Power Conversion	21,227	Multi Year Conversion Schedule	SEP 1986
Public Family Quarters	1,410,549	On Schedule	SEP 1987
Minor Shore Construction General	496,257	On Schedule	SEP 1986
Air Station Borinquen Expansion	280,515	On Schedule	SEP 1986
Air Station Cape Cod	250,066	On Schedule	SEP 1986
Venice, LA - Establish Station	136,893	On Schedule	SEP 1986
Rebuild Station and Group New York	71,189	On Schedule	SEP 1986
Rebuild Station Curtis Bay	287,068	On Schedule	SEP 1987
Establish Search and Rescue Station Crisfield	2,430,000	Under Departmental Review	SEP 1988
Establish Search and Rescue Station Gulfport	426,155	On Schedule	SEP 1987

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1984 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
Station Humboldt Bay Waterfront Facilities	22,260	On Schedule	SEP 1986
Remote Operating System (ROS) for Loran Station	520,000	On Schedule	OCT 1986
Solid State Transmitters Site Preparation	196,808	On Schedule	SEP 1987
Comms Station Kodiak HF Transmitters	256,490	On Schedule	JUN 1986
CORDOVA Seasonal Search and Rescue (SAR) Facility	99,535	On Schedule	SEP 1986
Base Galveston - Replace Industrial Facilities	3,100,842	On Schedule	SEP 1988
Base Charleston - Shops and Blast/Paint Facility	3,670,000	On Schedule	SEP 1988
Communication/Radio Stations-HF Transmitters	759,029	On Schedule	OCT 1986
Coast Guard Yard - Sewer Main Connection	1,200,000	GSA Negotiation Delays; On-site treatment now under development	SEP 1988
Marine Safety Office (MSO) Philadelphia, PH I	14,792	On Schedule	SEP 1986
SUPRTCEN New York - Logistics Support Fac - PH II	114,500	On Schedule	SEP 1987
Training Center Petaluma - Officer/CPO Quarters	251,122	On Schedule	SEP 1986
Medium Endurance Cutter (WMEC) 270's	2,500,000	Multi-year Project Progress Payments, Retrofit, Provisioning	SEP 1987

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1984 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
55-Foot Buoy Boat (ANB) Procurement	908,696	On Schedule	JUL 1986
210-Foot WMEC Mid-Life Maintenance Availability	10,224,006	Pends USN Contract Award	JUL 1986
Ship Training Detachment Replace Simulator	1,300,000	On Schedule	MAR 1987
WLB Service Life Extension 180' SLEP	3,839,331	LLTM Procurement Delays	SEP 1987
Inland Constr Tender (WLIC) Barge Modifications	2,450,000	On Schedule	SEP 1988
HU-25A Medium Range Search Aircraft Procurement	275,022	Multi-year Project On Schedule	SEP 1986
HH-65A Short Range Recovery Helicopter Procurement	117,136	SRR Delivery Delayed	SEP 1986
205' WMEC Safety &	4,777,215	Multi-year Proj On Schedule	SEP 1986
CGC YOCONA Safety	327,027	Multi-year Proj On Schedule	AUG 1986
Polar Class Icebreaker Main Prop. Console	2,786,722	Multi-year Proj On Schedule	SEP 1986
MRR Helicopter Doppler	6,000,000	On Schedule	SEP 1986

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1985 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
Selected Aids to Navigation	2,567,811	On Schedule	SEP 1986
Minor ATON Solar Power Conversion	1,153,824	On Schedule	SEP 1986
Lighthouse Automation & Modernization Program	771,854	On Schedule	SEP 1986
SUPRTCEN New York - Ferryboat Rehab	1,262,536	On Schedule	NOV 1987
Survey & Design - Shore	355,406	On Schedule	SEP 1986
Public Family Quarters	5,450,018	On Schedule	OCT 1988
Minor Shore Construction - Gen	913,689	On Schedule	SEP 1987
Minor Shore Construction - UPH	137,125	On Schedule	SEP 1987
AIRSTA Houston Rebuild	1,117,928	On Schedule	MAR 1988
AIRSTA Port Angeles Renovation	307,374	On Schedule	MAY 1987
SUPRTCEN Kodiak Admin Center	1,110,275	On Schedule	JUN 1988
Base Honolulu - UPH Upgrade	24,671	On Schedule	DEC 1986
STA Belle Island Renovation	240,196	On Schedule	OCT 1987
STA Erie Rebuild	519,154	On Schedule	JAN 1988
Group Cape Hatteras Support Facility	252,147	On Schedule	OCT 1987
Nantucket Light Rebuild	656,526	On Schedule	NOV 1986
Cold Bay Alaska SAR Facility	12,988,963	Preliminary Concepts being developed	SEP 1989

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1985 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
SUPRTCEN Boston 270' WMEC Shore Support	1,397,822	On Schedule	MAY 1987
SUPRTCEN Boston - Rehab, PH III	6,850,000	On Schedule	OCT 1988
Coast Guard Yard - Install Sandblast Fac.	179,854	On Schedule	MAR 1987
Standard Terminal Vessels	484,489	On Schedule	MAR 1987
Survey/Design - Electronics	290,000	On Schedule	SEP 1986
VHF/FM Direction Finding	2,771,453	Two Phase Contract	SEP 1987
New Orleans VTS	3,350,000	On Schedule	SEP 1986
COMDAC Support Facility PH III	804,887	On Schedule	SEP 1987
270' Med. Endurance Cutter WMEC Procurement	10,207,056	On Schedule	MAR 1987
210' Med Endurance Cutter WMEC MYA	15,400,000	On Schedule	JUL 1986
378' High Endurance Cutter FRAM	8,725,631	On Schedule	SEP 1987
Seagoing Buoy Tender WLB SLEP	9,931,968	LLTM Procurement Delays	SEP 1987
Maintain Long Range Search (LRS) Capability - PH II	1,567,854	On Schedule	JUL 1987
High Frequency Aircraft Radios	456,085	On Schedule	SEP 1987

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1985 Projects DOD Funded	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
Aerostats	9,300,000	On Schedule	AUG 1986
Fast Boats Procurements	1,200,000	On Schedule	JUN 1986

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1986 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
Survey & Design - Shore	2,666,353	On Schedule	SEP 1986
Public Family Qtr	4,668,353	On Schedule	OCT 1989
Minor Shore Construction - GEN	3,578,000	On Schedule	SEP 1986
Minor Shore Construction - UPH	896,000	On Schedule	SEP 1986
AIRSTA Traverse City - Ground Water Purge	1,576,000	On Schedule	SEP 1989
SUPRTCEN Kodiak - Health Care Facility	6,097,000	On Schedule	JAN 1989
SUPRTCEN Alameda - Replace Seawall & Moorings	7,908,000	On Schedule	JAN 1988
Long Beach - 270' WMEC Shore Support	5,621,000	On Schedule	SEP 1988
Station Short Beach Rebuild	2,573,000	On Schedule	JAN 1989
ANFAC Demopolis - Establish	1,906,000	On Schedule	NOV 1988
LORSTA Post Clarence Rehabilitation - Phase I	2,954,000	On Schedule	JAN 1989
ANFAC Peoria Consolidation	1,620,000	On Schedule	APR 1988
LORSTA Guam - Install Antenna	1,620,000	On Schedule	SEP 1988
Solid State Transmitters - Site Preparation	667,000	On Schedule	SEP 1988
Selected Aids to Navigation	1,813,643	On Schedule	SEP 1987
Minor AtoN Solar Power Conversion	1,237,907	Multi year Conversion Schedule	SEP 1989
Lighthouse Automation & Modernization Program	1,031,622	On Schedule	SEP 1987

ACQUISITION, CONSTRUCTION AND IMPROVEMENT PROJECTS

Title 1986 Projects	Unobligated Balance	Reason Funds Not Yet Obligated	Estimated Date of Final Obligation
SRR Aircraft	24,000,000	On Schedule	SEP 1986
HC-130 Outer Wings Replacement	1,000,000	On Schedule	SEP 1986
HU-25A Spares Provisioning	12,000,000	On Schedule	SEP 1987
SRR Helicopter Forward Infra-Red Sensors (FLIR)	6,000,000	Reprogramming per FY86 Spending Plan	SEP 1986
HC-130 Forward Looking Airborne Radar (FLAR) PhIII	10,000,000	Reprogram per FY86 Spending Plan	SEP 1986
210' WMEC MMA	23,807,000	On Schedule	JUL 1986
378' WHEC FRAM	17,405,000	On Schedule	DEC 1988
Northwind Safety and Supportability Upgrade	2,001,000	On Schedule	SEP 1988
Survey & Design-Vessels	1,217,000	On Schedule	SEP 1986
Information Resource Management Systems	1,430,000	On Schedule	SEP 1988
Secure Voice Communi-cations Capability PhII	3,859,000	On Schedule	SEP 1988
New Orleans LA, Vessel Traffic Service (VTS) PhII	2,954,000	On Schedule	SEP 1986

Title No Year Funding	Unobligated Balance	Reason Funds Not Yet Obligated	Date of Fina Obligation
Construct 160' Island Construction Tender	82,000	Retrofit	AUG 1986

AC&I OBLIGATION SUMMARY

Mr. COUGHLIN. Please also update for the record the table of AC&I new budget authority, obligations, and unobligated balances found on page 901 of last year's hearing record.

Please also add an outlay column.

[The information follows:]

DEPARTMENT OF TRANSPORTATION COAST GUARD ACQUISTION, CONSTRUCTION, AND IMPROVEMENTS
BUDGET AUTHORITY/UNOBLIGATED BALANCES/OUTLAYS

[In thousands of dollars]

	New budget authority	Obligations [1]	Unobligated balance	Outlays
Fiscal year:				
1977	236,000	238,859	98,934	131,581
1978	256,000	273,263	83,782	131,650
1979	286,617	216,252	154,147	192,058
1980	286,011	374,578	65,580	252,954
1981	333,985	317,339	82,226	223,775
1982 [2]	684,000	449,769	317,352	292,662
1983	409,000	435,491	290,861	483,990
1984 [3]	669,000	435,625	531,435	467,989
1985 [4]	380,440	500,851	411,024	443,565
1986 [5]	207,956	418,800	200,180	412,915
1987 [6]	77,100	216,800	60,480	352,275

[1] Reflects direct obligations.
[2] Includes $300M from fiscal year 1982 DOD Appropriation Act (Public Law 97-114)
[3] Includes $300M from fiscal year 1984 DOD Appropriation Act (Public Law 98-212)
[4] Includes $6.24M from fiscal year 1985 DOD Appropriation Act (Public Law 99-98)
[5] Includes $9.344M Gramm-Rudman-Hollings Reduction.
[6] Request to reprogram $190M from Coastal Defense Augmentation Account pends.

DEFAULTED CONTRACT TO REPLACE LORAN TOWER

Mr. COUGHLIN. Please explain the details behind the defaulted contract to replace LORAN towers, as reported on page 889 of last year's hearing record, including the name of the defaulted contractor, and update us on the current status of this project.

[The information follows:]

A contract for design and fabrication of the two replacement LORAN towers was awarded in July 1982 to Swager Tower Corporation of Freemont, Indiana for $752,678. During the design phase it was determined that Swager could not meet the original terms of the contract for the price bid. In March 1983 they were defaulted. A new contract for $1,875,145 was awarded in October 1983 to Antenna Products Corporation (formerly DHV, Inc.) of Mineral Wells, Texas. Both towers have been designed, fabricated and delivered for erection at LORAN Stations Marcus Island and Guam.

HARPOON PROCUREMENT

Mr. COUGHLIN. Please also explain the results of the HARPOON procurement strategy review, as reported on page 893 of last year's hearing record, and also, update us on the current status of this procurement.

[The information follows:]

The HARPOON procurement strategy was initially planned to be a sole source procurement. However, because additional sources for portions of the system have been identified, the sole source strategy has been abandoned. Because of the Coast Guard's desire to draw from the largest supplier base possible and in order to obtain

reprocurement data, we will instead compete part of the shipboard hardware as well as portions of the helicopter installation. These changes in our procurement strategy leading to greater competition will delay funds obligation. The earliest estimate for funds obligation is the second quarter of 1987.

REBUILD STATION CURTIS BAY

Mr. COUGHLIN. Please also explain the need for and outcome of the program reviews to rebuild Station Curtis Bay, and establish Search and Rescue Station Crisfield, as reported on page 895 of last year's hearing record, and update us on the status of these projects.

[The information follows:]

The Station Curtis Bay project has been approved and contract award is now scheduled for April 1986 with estimated project completion in May 1987.

Station Crisfield has been conceptually approved but the overall scope of the design is still under review. Final resolution is anticipated within the next few months.

STATUS OF PHASE II SUPPORT CENTER

Mr. COUGHLIN. Please also explain the situation behind the need to redesign phase II of the logistics support center in New York, including bid prices received, as reported on page 896 of last year's hearing record, and update us on the status of this project.

[The information follows:]

Original bids on the Support Center New York Phase II project were opened on 11 September 1984. Only two bids were received, the low bid at $1,922,112 and the high at nearly $2,575,000. The government estimate was $1,600,000. High project cost was attributed to lack of competition caused by the high volume of construction underway in the New York area at the time and the need to excavate a much greater amount of earth from the final project site than originally planned. After a careful project analysis, we decided to award a separate contract for removal of the 20,000 cubic yards of material required to adequately site the facility and make minor design revisions. The separate contract for the excavation was awarded in April 1985 for $219,500. Five bids were received on 25 July 1985 and resulted in a contract award of $1,251,000 for the Logistics Facility. Total cost for excavation and construction is $1,470,000. Construction completion is scheduled for October 1986.

COLD BAY SEARCH AND RESCUE

Mr. COUGHLIN. Please also update us on the status of the work being done in connection with the proposed Cold Bay SAR facility, and summarize the results of your work to date.

[The information follows:]

A two phased planning and design process for the Aleutian Air Facility at Cold Bay, Alaska has been initiated. Phase One, which includes planning, engineering programming, and schematic design is scheduled for completion in early FY 1987. To date approximately 60% of Phase One has been completed and remains on schedule. Phase Two includes conceptual and final design, construction documents. Completion of Phase Two is anticipated in FY 1988.

VHF/FM DIRECTION FINDING PROJECT

Mr. COUGHLIN. Please also update us on the status of the VHF/FM direction finding project for which contract delays were reported last year and also explain the reasons for those delays.

[The information follows:]

The contract for Phase I of the VHF-FM direction finding project was awarded August 20, 1985. Delays were experienced while the current contractor was certified by the Small Business Administration as an 8A contractor. Further, negotiations took much longer than anticipated. During Phase I we will develop locations, func-

tional performance requirements, life cycle cost analyses, the program management plan, and specifications for equipment. We will also conduct site surveys and design review during this phase. The anticipated completion date for Phase I is April 1986. We are currently determining procurement strategy for buying the equipment in Phase II.

PETALUMA HOUSING FACILITY

Mr. COUGHLIN. Please also provide for the record a breakdown of the cost per square foot for building the unaccompanied personnel housing facility at Petaluma, the cost per unit, and a discussion of how these costs compare to similar costs at those facilities that you have constructed.

[The information follows:]

The unit cost of construction for the unaccompanied personnel housing facility at Petaluma is estimated at $100 per square foot or an average cost including all support spaces of $62,000 per (3 person) berthing module. This is less than the cost experienced in building the FY 1984 BOQ/CPOQ (Bachelor Officer and Chief Petty Officer Quarters) of $116 per square foot or $64,000 per (3 person) berthing module. This compares with the actual costs of the FY 1982 Senior Student Berthing project at the Reserve Training Center, Yorktown which was completed in November 1985. The actual costs were $90 per square foot or $48,000 per (2 person) berthing module.

ATON FACILITY IN DEMOPOLIS

Mr. COUGHLIN. Please also update us on the status of the project to establish an aids-to-navigation facility in Demopolis, Alabama.

[The information follows:]

The design of the Aids-to-Navigation Facility at Demopolis is scheduled for completion in June 1986. Award of the construction contract is scheduled for August 1986 with completion planned for November 1987.

ELECTRONICS SCHOOL AT PETALUMA

Mr. COUGHLIN. Please also explain why the $1 million request to outfit the electronics school at Petaluma on page 78, was not included in last year's request for this facility.

[The information follows:]

The request to outfit the electronics school at Petaluma was not included in last year's request for this facility because outfitting will not occur until the building is complete in fiscal year 1987. Therefore, funds will not be required until then.

KODIAK/GOVERNORS ISLAND FAMILY HOUSING

Mr. COUGHLIN. On page 81, you are requesting $8.5 million to construct 44 units of family housing in Kodiak and Governors Island.

According to information provided for the record last year, you have approximately 990 families that are inadequately housed.

Why do you propose to construct only 44 new units when you apparently have much greater needs, and how much of a problem is this, in your view?

Admiral GRACEY. The question of adequate housing for our personnel in places like New York City and Kodiak, and places like that, and really, all over the Coast Guard, is a significant one, and one to which we pay a lot of attention.

The simple answer to your question as to why are we not doing more is, there is not enough money to do more. We have taken the money we have had, and we have spread it to the projects we

needed the most. We have tried to keep housing moving along steadily.

HOUSING STATUS

Mr. COUGHLIN. Please update for the record the housing status table on page 962 of last year's hearing record.

[The information follows:]

The most recent housing status data is shown below:

District	Family housing		Unaccompanied personnel housing	
	Number of families estimate inadequately housed	Percent of personnel in district	Number of personnel estimate inadequately housed	Percent of personnel in district
1.....	0	0	40	3
2.....	0	0	50	12
3.....	420	14	210	10
5.....	30	1	390	19
7.....	120	5	70	7
8.....	30	1	40	4
9.....	10	1	100	9
11.....	30	3	120	20
12.....	140	7	20	2
13.....	10	1	40	3
14.....	0	0	20	2
17.....	200	25	60	7
	990	4	1,160	8

Notes:

If the leasing program did not provide adequate housing to meet the needs of approximately 2,800 families, the number of families inadequately housed would increase fourfold. Additionally 1,200 unaccompanied personnel would be inadequately housed.

The above totals do not adjust for nor consider members occupying inadequate housing acquired by them in the private sector. Some members acquire housing on their own which fails to meet one or more of the adequacy standards.

Approximately 920 additional personnel will be inadequately housed if training command unaccompanied personnel housing projects are not completed as scheduled.

Adequate family housing is housing that: is of sufficient size to accommodate a member and dependents, provides appropriate facilities, is located in an acceptable environment, and is of reasonable cost.

Adequate unaccompanied personnel housing is based upon: the living area per person, privacy of the individual, ability to provide male/female separation, and structural integrity.

DISTRICTS FAMILY HOUSING

Mr. COUGHLIN. Please also provide for the record your long-term funding plans to provide adequate family and unaccompanied housing for Districts 3, 5, 7, 11, 12, and 17.

[The information follows:]

Long term funding plans for Coast Guard housing for the specified districts are shown below:

(In millions of dollars)

	1987	1988	1989	1990	1991	1992
Accompanied	8.5	19.0	16.9	17.9	13.8	10
Unaccompanied	[1] 12.2	6.3	1.9	20.6	5.0	0

[1] Includes dining addition for enlisted personnel.

INCREASE IN AC&I PERSONNEL FUNDING

Mr. COUGHLIN. On page 88, you are requesting a 30 percent increase in AC&I personnel funding, from $18.4 million to $24 million, even though this would support the same number of staff years. Would you explain the reason for this large increase?

Admiral GRACEY. I think I would like to ask one of my colleagues to answer that one, sir.

Captain WILLIAMS. Yes, sir. In the 1986 budget we did not ask for pay raises for this account because they are personnel accounts. In fact, we did not budget for the 1985 or 1986 pay raise. In 1987, we have to make them both up.

Mr. COUGHLIN. That large a percent?

Captain WILLIAMS. Yes, sir. There possibly will be some new people in that account, a small increase over the past few years, but we have also had some unfilled positions. We are now at full strength because of all the pressure from the projects. It is a reasonable number. It is pretty much a fixed-cost account.

SQUARE FOOTAGE COMPARISON

Mr. COUGHLIN. Please provide for the record a square footage comparison in the same format as that which appears on pages 965 through 967 of last year's hearing record for your following requests: the Yorktown reserve training center; the Petaluma UPM facility; the Ketchikan base renovation; the Lorain station building; and the Georgetown station construction.

[The information follows:]

SQUARE FOOTAGE COMPARISON
BETWEEN THE
PRESENT AND REPLACEMENT FACILITIES

	Replacement (1,000 sf)	Present (1,000 sf)	Change (1,000 sf)
YORKTOWN RESERVE TRAINING CENTER MEDICAL FACILITY	12.4	10.4	+2.0
	Comment: Replace substandard facilities occupying part of a two-story wooden building built in 1941.		
PETALUMA UNACCOMPANIED PERSONNEL HOUSING	84.0	NONE	+84.0
	Comment: New construction to house enlisted ET/TT students.		
KETCHIKAN, AK BASE RENOVATION PHASE I	13.6	12.4	+1.2
	Comments: Replace substandard facilities of wood construction build in 1943.		
STATION LORAIN, OH REPLACE STATION BUILDING	12.7	7.5	+5.2
	Comments: Replace substandard two-story wood constructed facilities originally built in 1910 to accommodate 7-persons.		
STATION GEORGETOWN, SC CONSTRUCT PERMANENT STATION	10.8	NONE	+10.8
	Comments: A new permanent station to replace existing temporary facilities in an overcrowded houseboat and allow co-location of Aids to Navigation Team (ANT) Georgetown.		
TOTALS	133.5	30.3	+103.2

COASTAL DEFENSE AUGMENTATION PROJECTS FUNDED

Mr. COUGHLIN. On pages 89 through 105, you list the AC&I projects proposed for funding under the Coastal Defense Augmentation account that was carried in the fiscal year 1986 Defense Appropriations Act.

What criteria did you use to determine what gets funded under this account?

Admiral GRACEY. We looked at the high priority vessel and aircraft initiatives, for instance, the FRAM and the MMA, and other related programs which are directly related to our defense readiness mission, and which are in keeping with the spirit of the Coastal Defense Augmentation account as we understood it.

PATROL BOAT REPLACEMENT PLAN

Mr. COUGHLIN. On page 92, you propose spending $56 million over two fiscal years to begin your patrol boat replacement program.

Eventually, you plan to replace 53 82-foot boats and 22 95-foot boats.

Last year, we were told that you had not determined the mix and sizes of the new boats. Where do you stand now in the selection process?

Admiral GRACEY. I talked about that this morning, Mr. Coughlin, and in essence, the mix process is still going on. We have not determined the final form of it yet. R&D is working on it. In discussions with the Department of Transportation, we decided on a two-track program, one for the fully capable craft, the low-risk track, and one called the high-risk track. That will come along, and it will determine the ultimate mix. We have not gone beyond R&D on that yet.

Mr. COUGHLIN. Please expand on your answer for the record, and also include a schedule of your procurement milestones.

[The information follows:]

The procurement milestones for acquisition of the Fully Capable patrol boats are as follows:

SCHEDULE OF MILESTONES

TASK	PLANNED COMPLETION DATE
APPROVAL OF MISSION NEED STATEMENT	5 Oct 83
KEY DECISION ONE/APPROVAL OF ACQUISITION PAPER (Authorization to Explore Alternative Systems)	7 Oct 85
KEY DECISION TWO WAIVER BY OST BASED ON 2ND ITERATION OF CANDIDATE CRAFT STUDY (Select Systems for Demonstration Validation)	7 Jul 86
Prepare Conceptual Design	2 Jul 87
Prepare Preliminary Design	9 Dec 87
Prepare Contract Design & Specifications	6 Jun 88
KEY DECISION THREE/APPROVAL OF ACQUISITION PAPER UPDATE (Commitment to Full Scale Development & Limited Production)	6 Jul 88
Award Contract for Detail Design & Limited Production Craft	31 Dec 88
Complete Detail Design & Construct Limited Production Craft	31 Dec 90
Conduct Technical & Operational Evaluation	26 Dec 91
KEY DECISION FOUR/APPROVAL OF ACQUISITION PAPER UPDATE (Commitment to Full Scale Production)	4 Jul 92
Award Production Contract	31 Dec 92

Footnote:
This is the expected schedule, but we are looking at alternatives to reduce the cost and complexity of the boat and the duration of the tasks.

PROTOTYPE AND PRODUCTION BOATS

Mr. COUGHLIN. You plan to buy one prototype and seven production model patrol boats with this $56 million.

Last year, information was provided for the record saying that your plan was to buy only prototype boats at first, in order to test them, and that production models would not be bought until fiscal year 1989.

Is that still the plan? If so, why cannot we put off appropriations for the production models until next year?

Admiral GRACEY. What we would like to do to cut down on the time of delivery on this is to make an award, which would consist of one, or perhaps two vessels, up front, that would be prototypes.

However, the contract would be for a total figure with some adjustment process based on whatever changes we might make.

The beauty of that is that it will save us almost a year in contracting time over the life of the contract. One company will win the bid on this and that company will have the contract for all the boats.

The design may be modified slightly after the prototype is operating and we learn some things from it, but the same contractor would have it, so we would be working with that contractor in the development, and working out the kinks in the design. We think it is a good partnership with the private sector. We think it is a way to cut down, as I say, almost a year off the total contract life. Furthermore, you will have this year's money, not higher cost money two and three years down the pike.

I think it is a brilliant idea.

Mr. COUGHLIN. Are the seven patrol boats you propose to buy off-the-shelf models?

Admiral GRACEY. No. That is not precluded, but we really do not plan to. One of the things we have found about off-the-shelf models is that there are very few people in the world who are building boats to be used the way we use ours.

There are some very good rescue boats in the world. There are some very good military patrol boats in the world. There are some good law enforcement boats in the world.

But there are not very many people that are trying to do it all together, and we do. That is multi-mission and that is why we get so much done.

It depends on the tradeoffs that have to be made. The Island class were essentially off-the-shelf models. We had to make some significant tradeoffs to get those.

Mr. COUGHLIN. Please explain for the record how the endurance (5 days), speed (30 knots), and range (1,680 nautical miles) requirements for these new patrol boats were determined, and compare those with the capabilities of your existing 82-foot and 95-foot boats.

[The information follows:]

The required endurance (five days) is a direct result of the law enforcement operating scenario which mandates the ability to transit to a patrol area up to 200 miles off shore, conduct a three day patrol in the operating area and return to port. With a best economic operating speed of approximately ten knots, approximately two days are required for transit time to and from the operating area including time spent maneuvering in port.

The requirement for 30 knots speed is derived from the need to interdict, overtake and board an acceptable percentage of suspect craft during law enforcement operations.

The required range is computed by adding the distance covered at top speed (30 knots) in any 24 hours of a patrol (720 hours) to the distance covered during the remaining 96 hours of a five day patrol at a best economical speed of ten knots (960 hours).

The existing 82 and 95 foot Coast Guard patrol boats have the following approximate capabilities:

	Endurance	Max speed	Range
95 foot WPB	4–5 days	20 knots	1960 miles at 11.5 knots.
82 foot WPB	3–4 days	20 knots	1580 miles at 8.0 knots.

PATROL BOAT FLEET

Mr. COUGHLIN. Please update for the record the listing of your existing patrol boat fleet, including any of the 16 new patrol boats recently procured that are now in service.

[The information follows:]

NAME	HULL NR.	COMMISSIONED	RENOVATED	YRS. SVC.	SVC. LIFE.	YEAR REQ. REPL.	YEAR EST. RPL
110' WPBS							
FARALLON	1301	2/21/86	NO	0	15	01	01
MANITOU	1302	2/28/86	NO	0	15	01	01
95' WPBS							
CAPE SMALL	95300	7/17/53	NO	32	25	86	86
CAPE HIGGON	95302	10/14/53	2/13/81	32	38	91	92
CAPE UPRIGHT	95303	7/2/53	11/20/77	32	34	87	90
CAPE GULL	95304	6/8/53	9/18/78	32	35	88	90
CAPE HATTERAS	95305	7/28/53	11/7/80	32	37	90	91
CAPE GEORGE	95306	8/10/53	5/21/81	32	38	91	91
CAPE CURRENT	95307	8/24/53	10/3/78	32	35	88	90
CAPE CARTER	95309	12/7/53	5/7/83	32	40	93	93
CAPE WASH	95310	12/15/53	NO	32	25	86	87
CAPE HEDGE	95311	12/21/53	NO	32	25	86	88
CAPE KNOX	95312	5/13/55	7/13/79	30	34	89	91
CAPE MORGAN	95313	7/5/55	4/21/80	30	35	90	91
CAPE FOX	95316	8/22/55	9/8/80	30	35	90	92
CAPE JELLISON	95317	9/7/55	NO	30	25	86	86
CAPE ROMAIN	95319	10/11/55	NO	30	25	86	87
CAPE STARR	95320	8/15/56	NO	29	25	86	87
CAPE CROSS	95321	8/20/58	4/16/82	27	34	92	93
CAPE HORN	95322	9/3/58	1/21/83	27	35	93	94
CAPE SHOALWATER	95324	10/17/58	7/13/79	27	31	89	91
CAPE CORWIN	95326	11/14/58	10/15/82	27	34	92	93
CAPE HENLOPEN	95328	12/5/58	1/15/82	27	34	92	93
CAPE YORK	95332	6/9/59	7/15/81	25	32	91	92
82' WPBS							
POINT HOPE	82302	10/5/60	NO	25	25	87	90
POINT VERDE	82311	3/15/61	NO	24	25	87	90
POINT SWIFT	82312	3/22/61	NO	24	25	87	90
POINT THATCHER	82314	9/13/61	NO	24	25	87	90
POINT HERRON	82318	6/14/61	NO	24	25	88	90
POINT ROBERTS	82332	6/6/62	NO	23	25	88	91
POINT HIGHLAND	82333	6/27/62	NO	23	25	88	91
POINT LEDGE	82334	7/18/62	NO	23	25	88	91
POINT COUNTESS	82335	8/8/62	NO	23	25	88	92
POINT GLASS	82336	8/29/62	NO	23	25	88	92
POINT DIVIDE	82337	9/19/62	NO	23	25	89	92
POINT BRIDGE	82338	10/10/62	NO	23	25	89	92
POINT CHICO	82339	10/29/62	NO	23	25	89	92
POINT BATAN	82340	11/21/62	NO	23	25	89	93
POINT LOOKOUT	82341	12/12/62	NO	23	25	90	93
POINT BAKER	82342	10/30/63	NO	22	25	90	93
POINT WELLS	82343	11/20/63	NO	22	25	90	93
POINT ESTERO	82344	12/11/66	NO	19	25	91	94

POINT JUDITH	82345	7/26/66	NO	19	25	91	94
POINT ARENA	82346	8/26/66	NO	19	25	91	94
POINT BONITA	82347	9/12/66	NO	19	25	91	94
POINT BARROW	82348	10/4/66	NO	19	25	91	94
POINT SPENCER	82349	10/25/66	NO	19	25	91	94
POINT FRANKLIN	82350	11/14/66	NO	19	25	91	94
POINT BENNETT	82351	12/19/66	NO	19	25	92	95
POINT SAL	82352	12/5/66	NO	19	25	92	95
POINT MONROE	82353	12/27/66	NO	19	25	92	95
POINT EVANS	82354	1/10/67	NO	18	25	92	95
POINT HANNON	82355	1/23/67	NO	18	25	92	95
POINT FRANCIS	82356	2/3/67	NO	18	25	92	95
POINT HURON	82357	2/17/67	NO	18	25	92	95
POINT STUART	82358	3/17/67	NO	18	25	93	95
POINT STEELE	82359	4/26/67	NO	18	25	93	96
POINT WINSLOW	82360	3/3/67	NO	18	25	93	96
POINT CHARLES	82361	5/15/67	NO	18	25	93	96
POINT BROWN	82362	3/30/67	NO	18	25	93	96
POINT NOWELL	82363	6/1/67	NO	18	25	93	96
POINT WHITEHORN	82364	7/13/67	NO	18	25	93	96
POINT TURNER	82365	4/14/67	NO	18	25	93	96
POINT LOBOS	82366	5/29/67	NO	18	25	94	96
POINT KNOLL	82367	6/27/67	NO	18	25	94	97
POINT WARDE	82368	8/14/67	NO	18	25	94	97
POINT HEYER	82369	8/3/67	NO	18	25	94	97
POINT RICHMOND	82370	8/25/67	NO	18	25	94	97
POINT BARNES	82371	4/21/70	NO	15	25	95	97
POINT BROWER	82372	4/21/70	NO	15	25	95	97
POINT CAMDEN	82373	5/4/70	NO	15	25	95	97
POINT CARREW	82374	5/18/70	NO	15	25	95	97
POINT DORAN	82375	6/1/70	NO	15	25	95	98
POINT HARRIS	82376	6/22/70	NO	15	25	95	98
POINT HOBART	82377	7/13/70	NO	15	25	96	98
POINT JACKSON	82378	8/3/70	NO	15	25	96	98
POINT MARTIN	82379	8/20/70	NO	15	25	96	98

NEW PATROL BOATS

Mr. COUGHLIN. Please also provide for the record a breakdown of the 16 patrol boats recently acquired, including their size, speed, range, endurance, cost per boat, manufacturer, delivery date, home port, and boats that were replaced.

[The information follows:]

WPB No	WPB name	WPB homeport	Expected delivery date	Cutter replacing
1301	Farallon	Miami, FL	November 1985	Additional resource.
1302	Manitou	Miami, FL	January 1986	Additional resource.
1303	Matagorda	Miami, FL	February 1986	Additional resource.
1304	Maui	Miami, FL	March 1986	Additional resource.
1305	Monhegan	Roosevelt Roads, PR	April 1986	Additional resource.
1306	Nunivak	Roosevelt Roads, PR	May 1986	Additional resource.
1307	Ocracoke	Roosevelt Roads, PR	June 1986	Additional resource.
1308	Vashon	Roosevelt Roads, PR	July 1986	Additional resource.
1309	Aquidneck	Portsmouth, VA	August 1986	Chinook.
1310	Mustang	Seward, AK	October 1986	Cape Jellison.
1311	Naushon	Ketchikan, AK	November 1986	Cape Romain.
1312	Sanibel	Rockland, ME	December 1986	Cape Fairweather.
1313	Edisto	Crescent City, CA	January 1987	Cape Small.
1314	Sapelo	Eureka, CA	February 1987	Cape Wash.
1315	Matinicus	Atlantic City, NJ	April 1987	Cape Starr.
1316	Nantucket	San Juan, PR	June 1987	Mohican.

Manufacturer: Bollinger Machine Shop & Shipyard, Lockport, LA.
Cost per boat, including outfit and spares: $7 million.
Length, overall: 110 feet.
Beam: 21 feet.
Draft: 7.3 feet.
Displacement, full load: 162 long tons.
Maximum speed: In excess of 26 knots.
Maximum range: 3,380 nautical miles.
Endurance: 5 days.

270 FOOT CUTTER PROCUREMENT

Mr. COUGHLIN. On page 93, you plan to spend $4.4 million for contract costs related to the purchase of 13 new 270-foot cutters.

How is this procurement proceeding now? Are you still experiencing significant delays?

Admiral GRACEY. Well, it is proceeding, and I mentioned earlier, that the first vessel, SPENCER, has been delivered. The second one, SENECA, will be coming out this summer. That will make my wife very happy as she is the sponsor of SENECA.

It is always possible to have slippages. We had a period of great concern here about six-seven months ago, but we do not have that any more.

Mr. COUGHLIN. Please update for the record the 270-foot WMEC procurement cost table found on page 761 of the fiscal year 1985 hearing record.

[The information follows:]

270-FT WMEC SHIPBUILDING CONTRACTS
(Dollars in millions)

Fiscal Year	Tacoma Boat (1-4) Contract and Mods	Escalation Amount	Escalation Percent	Derecktor (5-13) Contract and Mods	Escalation Amount	Escalation Percent
1978	110.2	0.5	0.5			
1979	2.9	3.6	3.1			
1980	11.2	7.5	5.5			
1981	0.8	10.2	6.9	236.4	0.1	0
1982	3.0	9.3	5.8	113.1	9.0	2.5
1983	11.5	11.6	6.4	<7.2>	11.8	3.2
1984	7.6	3.7	1.9	<0.8>	12.9	3.4
1985	1.2	<0.1>	0	1.6	11.3	2.9
1986				penda	9.3*	2.3
1987				penda	10.2*	2.5
1988				penda	7.0*	1.7
1989				penda	2.0*	0.5
Total	148.4	46.3	23.8**	343.1	76.3	17.7**

Percent computed as annual escalation divided by total cost to date.
*- estimate
**- percent that escalation repesents of the total contract cost

270' CUTTER DELIVERY SCHEDULE

Mr. COUGHLIN. Please also provide for the record the 270-foot cutter delivery schedule in the same format as that appearing on page 766 of the fiscal year 1985 hearing record.

[The information follows:]

270-FOOT CUTTER DELIVERY SCHEDULES

Cutter	Original contract delivery	Current contract delivery	Estimated commissioning	Estimated ready for operations	Homeport
Bear	Dec. 31,1980	Jan. 25, 1983	Jan. 25, 1983 [1]	Jan. 1983 [1]	Portsmouth, VA.
Tampa	Apr. 30, 1981	Dec. 5, 1983	Dec. 5, 1983 [1]	Dec. 1985 [1]	Portsmouth, VA.
Harriet Lane	Aug. 28, 1981	May 9, 1984	May 9, 1984 [1]	Mar. 1986	Portsmouth, VA.
Northland	Dec. 26, 1981	Jul. 15, 1984	Jul. 15, 1984 [1]	Jun. 1986	Portsmount, VA.
Spencer	June 16, 1984	Jul. 27, 1984	Dec. 9, 1985 [1]	Dec. 1986	Boston, MA.
Seneca	Oct. 14, 1984	Nov. 9, 1984	May 1986	May 1987	Boston, MA.
Escanaba	Feb. 11. 1985	Feb. 13, 1985,	Sep. 1987	Sep. 1988	Boston, MA.
Tahoma	June 11, 1985	June 13, 1985	Jan. 1987	Jan. 1988	New Bedford, MA.
Campbell	Oct. 9, 1985	Oct. 9 1985	May 1987	May 1988	New Bedford, MA.
Thetis	Feb. 6, 1986	Feb. 6, 1986	Sep. 1988	Sep. 1989	Long Beach, CA.
Forward	June 6, 1986	Jun. 6, 1986	Jan. 1988	Jan. 1989	Long Beach, CA.
Legare	Oct. 4, 1986	Oct. 4, 1986	May 1988	May 1989	Long Beach, CA.
Mohawk	Feb. 1, 1987	Feb. 1, 1987	Sep. 1989	Sep. 1990	Long Beach, CA.

[1] Actual date

RIVER TENDER REPLACEMENT

Mr. COUGHLIN. On page 94, you are proposing to spend $10.4 million—$4.6 million in fiscal year 1986 and $6 million in fiscal year 1987—to replace two river tenders.

Last year, we discussed your proposal to replace three river tenders—the DOGWOOD, the LANTANA, and the SUMAC.

We asked you to reassess the SUMAC replacement since testimony indicated that recent maintenance work performed on this vessel would extend service life to the mid-1990's.

Is that now your plan? Do you intend to operate the SUMAC into the mid-1990's?

Admiral GRACEY. Yes, sir. We are going to. We have changed direction on that, and we are going to continue to operate SUMAC. We had an evaluation board done on the vessel, just last fall, and their recommendation is that with some expenditures on her, she can operate on up into the 1990's.

Mr. COUGHLIN. Last year, your budget indicated that the cost per cutter for the river tender replacement program was $5 million per vessel. This year the cost is $5.3 million, or a 6 percent increase.

I believe you assumed only a 4.2 percent increase in calculating your non-personnel operating expenses. Why is your inflation so much higher in the ship building area?

Admiral GRACEY. Well, I looked at that myself, and then my panic disappeared when I realized I was talking about $90,000, and it could very well result as a matter of rounding out the numbers in the calculation. I know when you start calculating the percentages it comes out that way, and it looks like a big difference, but it really is not all that much.

I should say, ship building is an expensive business because you are into heavy industries, and you are into high-cost labor, and you are into heavy steel. There may be a factor there as well, but the difference is really not very much, in terms of dollars.

Mr. COUGHLIN. Please provide for the record a comparison of the operating characteristics of the old river tenders versus the new replacement vessels.

[The information follows:]

COMPARISON OF OPERATING CHARACTERISTICS

	Lantana	Dogwood	Replacement
Length (feet-inches)	80–0	114–0	75–2
Beam (feet)	30	26	24
Draft (feet-inches)	7–0	5–0	4–8
Displacement (long tons)	235	310	168
Shaft horsepower	945	800	1,000
Number of Propellers	3	2	2
Economical speed (knots)	5.1	5.5	(1)
Maximum speed	10	11	11.4
Maximum range (nautical miles)	4,500	2,800	(1)
Range at Maximum speed	1,000	1,3000	3,030
Crew	20	20	14

[1] To be determined during trials.

MOTOR LIFEBOAT REPLACEMENT

Mr. COUGHLIN. On page 95, you propose to spend $1.5 million to initiate a multi-year program to replace 105 44-ton motor lifeboats.

These funds are budgeted to construct a prototype lifeboat for testing.

This project was not contained in your February 1985 five-year capital plan. Why did this suddenly become a priority?

Admiral GRACEY. We knew this was coming down the pike sooner or later. The need had been established. The question was one of timing. We had some difference of view on whether that particular item should be in the projection or not.

We have since learned that there are some structural difficulties with those boats. We have had a couple of them heavily damaged in surf, and we felt it was time to start the program.

Our experience with the 95-footer jolted us a bit.

Mr. LEHMAN. What does the lifeboat do?

Admiral GRACEY. Sir?

Mr. LEHMAN. What do these 44-foot lifeboats do in service?

Admiral GRACEY. Well, their function is to operate in heavy seas, Mr. Chairman. Somebody, this morning made a reference to a 12 knot maximum run. That would be one of these boats. That is as fast as they can go. But they have got power. They can really tow something much larger than themselves. They are designed to go into the surf, roll completely over, and come up the other side. The crews wear crash helmets, and they are strapped into a screen. When the boat goes over, it comes up and keeps running if they are lucky. They always come up, but the question is keeping going. They crew is always impressed by the experience.

Admiral Thompson tells me that there is one at Ponce De Leon inlet. They are up and down the coast. We have some in the Great Lakes.

Generally, the pattern in the Great Lakes has been to have every other station up the coast have one of these, and the ones in between have the faster boats. They are work horses in the rescue business. They can take all kinds of heavy weather, and they can range out further to sea than I would like to see them do with such a small crew and small boat, but they do it. They do our other missions too.

Mr. COUGHLIN. If it is only a 12 knot boat, they cannot cover a very great distance.

Admiral GRACEY. That is correct, but they do cover it, and the difference is, you see, that they can make that speed, and they can survive in weather when the other boats would not make any speed at all, because of their design. This was one of the prime boats in the world, in design, at the International Lifeboat Conference, when the lifeboats of the whole world were there.

Mr. COUGHLIN. I have never seen any of these. Do you keep any near here?

Admiral GRACEY. Not near here, and I am trying to think. There are some up on the Jersey shore. Cape May has one. Anyway, if you see one, it has got a kind of a bridge area up forward, a coxswain's platform with a bit of a shelter, and then there is a low space midships, and then back aft there is what we call the survivor's shelter.

Mr. COUGHLIN. Do you plan to design the new motor lifeboat from scratch, or will it be more or less an off-the-shelf model?

Admiral GRACEY. We have done a complete research of the vessels of the world, looking to see their suitability for all the things we want to do with ours.

I think we will be designing it from scratch. There just is no vessel that our experts thought was suitable for our kinds of waters, and the scope of what we do. We will be designing one but we will be taking a lot of lessons from other people's vessels.

NEW LIFEBOATS VERSUS EXISTING BOATS

Mr. COUGHLIN. Please provide for the record a comparison of the operational parameters for the new lifeboats versus the existing boats.

[The information follows:]

The MLB replacement will be similiar to the current 44' MLB in capability, except for improved ride characteristics and crew protection (to decrease crew fatigue), increased speed, and other modern technology improvements. No additional personnel, logistics requirements, or facility improvements will be needed to accommodate this replacement vessel. The following is a statistical comparison of the present MLB and the replacement prototype.

	44 ft MLB	Replacement prototype
Length	44.1 feet	47.3 feet
Beam	12.7 feet	15.0 feet
Draft	4.0 feet	4.3 feet
Displacement	39,700 pounds	42,000 pounds
Maximum speed	11.8 knots	26.4 knots

	44 ft MLB	Replacement prototype
Economical speed	10.0 knots	9.9 knots
Range: Maximum speed	168 NM	210 NM
Endurance: Maximum speed	14.2 hours	8.0 hours
Hull type	Round bilge	Single chine, deep vee
Accommodation:		
Crew	4	4
Survivor	21	20
Operating conditions:		
Seas	30 feet	30 feet
Surf	20 feet	20 feet
Wind	50 knots	50 knots
Towing capability	00 tons	150 tons

LIFEBOAT REPLACEMENT PROGRAM MILESTONES

Mr. COUGHLIN. Please also provide for the record a listing of the procurement milestones and associated dates for the lifeboat replacement program.

[The information follows:]

KEY MILESTONES

The current milestone schedule for the lifeboat replacement program envisioned by the Coast Guard calls for a solicitation for limited production being issued in January 1987 with a contract award in January 1988. Prototype testing, limited production, and a full field evaluation will be completed mid-1991. An award for the full production phase will also be in 1991 with the last production boat being delivered in 1996.

210' MID LIFE MAINTENANCE

Mr. COUGHLIN. On page 97, you propose to spend $42.3 million—$25.8 million in fiscal year 1986 and $16.5 million in fiscal year 1987—to continue the "mid-life maintenance availability" project for your 16 210-foot cutters.

Last year you said that you were experiencing significant delays in this project because you changed the procurement approach from one of doing all the work at the Coast Guard Yard to one of doing only the five "A" class ships at Curtis Bay, and the 11 "B" class ships at commercial yards.

Where does this project stand? How many ships are finished, or are currently in the shipyard, and is your procurement process now on track?

Admiral GRACEY. It is on track, Mr. Coughlin. We expect the "B" class contract to be awarded this July, and the first of the "A" class to be completed next September.

210' CUTTER SERVICE LIFE/MMA SCHEDULE

Mr. COUGHLIN. Please provide for the record an update of the 210-foot cutter service life and MMA schedule data found on page 910 of last year's hearing record.

Please also provide separate cost breakdowns per cutter for the "A" class and the "B" class cutters, and also, show what shipyard will perform this work for each cutter.

Please also provide explanations for any delay in starting MMA work of over one month from the dates reported to the Committee last year.

[The information follows:]

210' SERVICE LIFE AND MMA SCHEDULE

CUTTER	CLASS	COMMISSIONED	PRE-MMA HOMEPORT	MMA START
615 RELIANCE	(A)	JUN 1964	Cape Canaveral, FL	AUG 1989
616 DILIGENCE	(A)	AUG 1964	Cape Canaveral, FL	AUG 1988
617 VIGILANT	(A)	OCT 1964	New Bedford, MA	AUG 1987
618 ACTIVE	(A)	SEP 1966	New Castle, NH	OCT 1984
619 CONFIDENCE	(A)	FEB 1966	Port Angeles, WA	AUG 1986
620 RESOLUTE	(B)	DEC 1966	Astoria, OR	APR 1990
621 VALIANT	(B)	OCT 1967	Galveston, TX	DEC 1987
622 COURAGEOUS	(B)	APR 1968	Key West, FL	MAR 1987
623 STEADFAST	(B)	SEP 1968	St. Petersburg, FL	APR 1988
624 DAUNTLESS	(B)	JUN 1968	Miami Beach, FL	AUG 1989
625 VENTUROUS	(B)	AUG 1968	Terminal Is., CA	DEC 1988
626 DEPENDABLE	(B)	NOV 1968	Panama City, FL	AUG 1987
627 VIGOROUS	(B)	MAY 1969	New London, CT	DEC 1989
628 DURABLE	(B)	DEC 1967	Brownsville, TX	OCT 1986
629 DECISIVE	(B)	AUG 1968	St. Petersburg, FL	AUG 1988
630 ALERT	(B)	AUG 1969	Cape May, NJ	APR 1989

Note: (1) All A class cutters will be repaired at Coast Guard Yard, Curtis Bay, MD.

(2) All B class cutters will be repaired in a private sector shipyard. Naval Sea Systems Command (NAVSEA) will award the contract by competitive procurement (Award date estimated 24 Jun 1986). The Navy will administer the contract.

BREAKDOWN OF COSTS PER CUTTER FOR 210 MMA

	A Class	B Class
Long Lead Time Material	$3,500,000	$2,500,000
Electronics	$125,000	$125,000
Production Costs	$8,700,000	$10,400,000
Engineering Design	$200,000	$200,000
Provisioning	$300,000	$250,000
Contract Administration	0	$1,000,000
Total/Cutter	$12,825,000	$14,475,000

Delay in starting "A" class Major Maintenance Availability work from dates reported last year is due primarily to problems in long lead time material procurements. Delay in starting work on "B" class due to specification package preparation problems and extending Request for Proposal dates. Reorganization of Coast Guard Yard procurement division and problems with deliveries of both materials and technical data from contractors were the major problems.

For the "A" class we have either awarded contracts for or engineered work around for all long lead time materials. For the "B" class we have either awarded all long lead contracts or included materials as Contractor Furnished Equipment in the Request for Proposal.

Note error in table on page 910 of 1986 hearing record. Start dates for "B" class were incorrect. The order remains the same, but page 911 said bid opening of Nov 1985 which would imply start on CGC DURABLE of Jun 1986. Current start for CGC DURABLE is Oct 1986.

210′ COMPARISON DATA

Mr. COUGHLIN. Please also provide for the record a comparison of 210-foot MMA appropriations, obligations, and outlays by fiscal year and by ship.

Please also include estimates for fiscal years 1986 and 1987.

[The information follows:]

210' WMEC MMA FUNDING HISTORY

YEAR	APPROPRIATION	OBLIGATION	OUTLAYS	PROGRAM
	AMOUNT ($000)			
1982	6,000	250	-0-	(1)
1983	16,000	19,812	318	(1)
1984	34,300	21,290	1,929	(2)
1985	15,400	9,093	8,023	(2)
1986	_____ 1/	1,406*	1,894*	(3)(5)(6)

YEAR	AMOUNT ($000)	PROGRAM
	ESTIMATED COST	
1986	25,800 1/	(3)(5)(6)
1987	16,500 1/	(3)(4)(7)

NOTES: 1/ Funding to be provided through Navy Coastal Defense Augmentation Account.

* To date.

Program
(1) Long Lead Time Material
(2) A-1 CGC ACTIVE
(3) A-2 CGC CONFIDENCE
(4) A-3 CGC VIGILANT
(5) B-1 CGC DURABLE
(6) B-2 CGC COURAGEOUS
(7) B-3 CGC DEPENDABLE

378' FRAM

Mr. COUGHLIN. On page 98, you propose to spend $123.1 million in fiscal year 1987 to continue the FRAM program for the 378-foot cutters.

We had quite a bit of discussion with the Senate about the delays in this program during last year's supplemental.

Would you update us on the status of this project.

Admiral GRACEY. The contracts were awarded on schedule last June, and they were awarded to the Bath Iron Works in Bath, Maine, and to Todd Pacific Shipyard in Seattle. Todd will do eight, and Bath will do the four on the East Coast.

The word I get from the people who have visited the work is that they are going along fine. We know we have two fine shipyards.

Mr. COUGHLIN. How did the Bath strike affect you?

Admiral GRACEY. We were worried about that but it did not affect us at all. It was at the very beginning, and I am not aware of any—.

Admiral STABILE. The early work was not done by the people on strike.

Admiral GRACEY. The ship went in on schedule, and it has kept right on going.

Mr. COUGHLIN. How frequently do you send Coast Guard folks out to check on the progress of these?

Admiral GRACEY. How soon?

Mr. COUGHLIN. How frequently?

Admiral GRACEY. How frequently? We have what we call an RIO, Resident Inspector's Office, at each of those places, with a staff of people to oversee the work, constantly.

The Chief of the Office of Engineering at Headquarters will visit, maybe once a year, to see how it is going, but we get regular reports from the resident inspector back here.

Mr. COUGHLIN. Did the FRAM contracts you signed with the commercial shipyards include warranty provisions?

Admiral GRACEY. Yes, they did.

FRAM CONTRACT

Mr. COUGHLIN. Please provide for the record a summary of the major provisions of each FRAM contract signed with commercial shipyards.

This should include the name of the shipyard, location of each shipyard, the type of contract, the provisions for escalation, cancellation costs, warranty provisions, and contract notification provisions.

[The information follows:]

Summary of major provisions of FRAM contracts:

Names of shipyards: Bath Iron Works Corporation, 700 Washington Street, Bath, ME 04530. Todd Pacific Shipyards Corporation, 1801 16th Avenue, SW, Seattle, WA 98124.

Type of contracts: Firm fixed price multi-year with provision for economic price adjustment.

Provision for escalation: There are two provisions for escalation; a labor rate adjustment clause and an economic price adjustment clause. Both clauses contain formulas for calculating adjustments to negotiated prices. The formulas are based on U.S. Department of Labor, Bureau of Labor Statistics Indices. The labor index is

"Indices of Change in Selected Shipyards for Steel Vessel Construction and All Regions." The material index is "Index for Steel Vessel Contracts."

Provisions for cancellation costs: Cancellation ceilings are established at:

[Dollar amounts in millions]

	Bath	Todd
Program year:		
1	$8.8	$11.2.
2	6.2 percent	5.4 percent.
3	4.2 percent	4.5 percent.
4	2.1 percent	2.7 percent.
5		0.9 percent.

Warranty provisions: The guaranty clauses of both contracts extend for 365 days after delivery and provide for correction or repair, at the contractor's expense, of any defective or deficient work or materials.

Contract notification provisions: The dates for notification on the availability of funds for succeeding program years are 10 January of each program year, or earleir if determined to be in the best interest of the Government. These dates assume signing into law the final legislation for succeeding years of this procurement by 1 October preceding the 10 January date. If such legislation is not enacted until after 1 October, the corresponding notification date will be delayed on a day for day basis for each day enactment of funding legislation is delayed, but for no longer than 90 days, at no additional cost to the Government.

FRAM COMPARISON DATA

Mr. COUGHLIN. Please also provide a breakdown of FRAM appropriations, obligations, and outlays by fiscal year, and by ship.

Please include estimates for fiscal years 1986 and 1987.

[The information follows:]

The table below reflects the breakdown of FRAM program appropriations, obligations and outlays by fiscal year. The Coast Guard does not maintain accounting information on an individual ship basis for this type project.

[In thousands of dollars]

	Fiscal year—					
	1982	1983	1984	1985	1986	1987
Appropriation	15,000	0	67,138	73,350	55,548	[1] 123,100
Obligations	250	240	2,611	[2] 121,500	[3] 93,000	[4] 138,200
Outlays	0	127	294	14,202	([5])	([5])

[1] Coastal defense augmentation account.
[2] Contract notification to proceed with Hulls 1, 2, 3.
[3] Contract notification to proceed with Hulls 4, 5.
[4] Contract notification to proceed with Hulls 6, 7, 8.
[5] Outlays not projected.

FRAM WARRANTIES

Mr. COUGHLIN. Please also provide for the record a summary of the terms and conditions of any warranties provided for FRAM work.

[The information follows:]

Terms and conditions of warranty (guaranty) taken from FRAM contracts:

In case any work done or materials furnished by the Contractor under this contract on or for any vessel or the equipment thereof shall, within 365 days from date

of delivery of the vessel by the Contractor, prove defective or deficient, such defects or deficiencies shall, as required by the Government, be corrected and repaired by the Contractor at his expense to the satisfaction of the Contracting Officer: *Provided*, however, that with respect to any individual work item incomplete at the delivery of the vessel the guarantee period shall run from the date of completion of such item. The Government shall, if and when practicable, afford the Contractor an opportunity to effect such corrections and repairs himself, but when, because of conditions or the location of the vessel or for any other reason, it is impracticable or undesirable to return it to the Contractor or the Contractor fails to proceed promptly with such repairs as directed by the Contracting Officer, such corrections and repairs shall be effected at the Contractor's expense at such other locations as the Government may determine. Where corrections and repairs are to be effected by other than the Contractor, due to nonreturn of the vessel to him, the Contractor's liability may be discharged by an equitable deduction in the price of the job. The Contractor's liability under this clause shall, however, in no event extend beyond the correction of such defects or deficiencies or payment for the cost thereof: *Provided*, however, that nothing in this clause shall be deemed to limit or relieve the Contractor of his responsibilities as set forth in the clause entitled "Liability and Insurance" and the clause entitled "Inspection" of this contract. At the option of the Contracting Officer, defects and deficiencies may be left in their then condition, and an equitable deduction from the contract price, as agreed by the Contractor and Contracting Officer shall be made therefore. If the Contractor and Contracting Officer fail to agree upon the equitable deduction from the contract price to be made, the dispute shall be determined as provided in the "Dispute" clause of this contract.

180' BUOY TENDERS SLEP

Mr. COUGHLIN. On page 99, you plan to spend $14.1 million in fiscal year 1986 to continue the SLEP rehabilitation of your fleet of 14 180-foot buoy tenders.

Is this project on schedule?

Admiral GRACEY. No, it is not on schedule, Mr. Coughlin. We have had delays on the first hulls because of trouble in getting production materials.

We have that pretty well resolved now. Three of the ships have been done. Numbers 4 and 5 are in production. The funding we are asking for in this year's budget would buy long-lead material for hulls 10 to 14.

Mr. COUGHLIN. According to your February 1985, 5-year capital plan, you had planned to spend only $7.3 million for this SLEP program in the fiscal year 1986–1987 timeframe.

Why does your budget now propose doubling that amount? Can the shipyards do twice as much work in the same timeframe as previously programmed?

Admiral GRACEY. The $7.3 million was to cover increased production costs. It was not for long lead-time material. Now we are talking about long lead-time material too.

180' BUOY TENDERS OBLIGATIONS

Mr. COUGHLIN. Can you provide for the record the obligations, to date, for this program?

Admiral GRACEY. Yes, sir.

[The information follows:]

SLEP PROGRAM OBLIGATIONS AND OUTLAYS

FISCAL YEAR	DESCRIPTION	APPROPRIATIONS ($000)	OBLIGATIONS ($000)		OUTLAYS ($000)
1980	SLEP PRELIM DESIGN & SPECS	$ 1,405	$ 5,503	(1)	$ 1,955
1981	SLEP 2 SHIPS	$13,916	$ 9,767	(1)	$ 2,047
1982	SLEP 1 SHIP, FINISH 1st 2	$11,500	$11,512		$ 3,829
1983	SLEP 2 SHIPS	$19,000	$14,445		$ 708
1984	SLEP 2 SHIPS, SPARE PARTS	$19,285	$13,779		$22,047
1985	SLEP 2 SHIPS	$18,000	$ 8,070		$ 7,696
1986		$	$ 6,761		$ 603
	TOTAL	$83,106	$69,837		$38,885

Note: (1) A loan of $4.5M was made to the project in FY80 from other AC&I projects and was paid back in FY81.

CUTTER	POST-SLEP HOMEPORT	EST COST ($000)	OBLIGATIONS ($000)	OUTLAYS ($000)
SORREL	GOVERNORS IS., NY	$9,293	$9,293	$9,268
GENTIAN	MOREHEAD CITY, NC	$9,098	$9,099	$9,074
COWSLIP	PORTSMOUTH, VA	$9,431	$9,232	$9,182
CONIFER	SAN PEDRO, CA	$10,400	$10,193	$9,225
MADRONA	CHARLESTON, SC	$10,700	$10,000	$2,032
LAURAL	MAYPORT, FL	$10,750	$10,196	$0
PAPAW	SAN JUAN, PR	$11,398	$3,941	$0
SWEETGUM	GALVESTON, TX	$11,746	$3,842	$0
SAGEBRUSH	MOBILE, AL	$12,108	$3,828	$0
BUTTONWOOD	SAN FRANCISCO, CA	$12,108	$0	$0
SALVIA	KETCHIKAN, AK	$12,484	$0	$0
BLACKHAW	HONOLULU, HI	$12,874	$0	$0
PLANETREE	GUAM, MI	$12,874	$0	$0
MALLOW	ASTORIA, OR	$13,281	$0	$0
	SPARE PARTS	$500	$138	$54
	PROJECT DESIGN & CHANGES	$500	$ 75	$50
	TOTAL	$159,545	$69,837	$38,885

BUOY TENDER SLEP PROGRAM SCHEDULE

Mr. COUGHLIN. Please provide for the record a schedule for the buoy tender SLEP program identifying each ship, the home port, the date of commission, the projected decommission date, when the SLEP was or will be started, the projected completion date, the shipyard performing this work, and cost for each ship.

[The information follows:]

180' WLB SERVICE LIFE EXTENSION PROJECT
ALL WORK BEING DONE AT THE COAST GUARD YARD

CUTTER	POST-SLEP HOMEPORT	DATE COMM	DATE/DECOM SLEP START	SLEP COMPLET RECOMM DATE	EST COST ($000)
SORREL	GOVERNOR'S ISL., NY	1942	10/79	01/83	$ 9,293
GENTIAN	MOREHEAD CITY, NC	1942	11/79	08/83	$ 9,098
COWSLIP	PORTSMOUTH, VA	1942	01/83	07/84	$ 9,431
CONIFER	SAN PEDRO, CA	1943	08/83	06/86	$10,400
MADRONA	CHARLESTON, SC	1943	04/84	09/88	$10,700
LAURAL	MAYPORT, FL	1942	07/86	05/89	$10,750
PAPAW	SAN JUAN, PR	1943	10/88	01/90	$11,398
SWEETGUM	GALVESTON, TX	1943	06/89	09/90	$11,746
SAGEBRUSH	MOBILE. AL	1944	02/90	05/91	$12,108
BUTTONWOOD	SAN FRANCISCO, CA	1943	10/90	01/92	$12,108
SALVIA	KETCHIKAN, AK	1944	06/91	09/92	$12,484
BLACKHAW	HONOLULU, HI	1944	02/92	05/93	$12,874
PLANETREE	GUAM, MI	1943	10/91	01/94	$12,874
MALLOW	ASTORIA, OR	1944	06/93	09/94	$13,281
	SPARE PARTS				$500
	PROJECT DESIGN & CHANGES				$500
				TOTAL	$139,545

SLEP FUNDING

Mr. COUGHLIN. Please also provide for the record a breakdown of appropriations, obligations, and outlays for the SLEP program by fiscal year and by ship.

[The information follows:]

SLEP PROGRAM OBLIGATIONS AND OUTLAYS

FISCAL YEAR	DESCRIPTION	APPROPRIATIONS ($000)	OBLIGATIONS ($000)	OUTLAYS ($000)
1980	SLEP PRELIM DESIGN & SPECS	$ 1,405	$ 5,503 (1)	$ 1,955
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1982	SLEP 1 SHIP, FINISH 1st 2	$11,500	$11,512	$ 3,829
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1984	SLEP 2 SHIPS, SPARE PARTS	$19,285	$13,779	$22,047
1985	SLEP 2 SHIPS	$18,000	$ 8,070	$ 7,696
1986		$	$ 6,761	$ 603
	TOTAL	$83,106	$69,837	$38,885

Note: (1) A loan of $4.5M was made to the project in FY80 from other AC&I projects and was paid back in FY81.

CUTTER	POST-SLEP HOMEPORT	EST COST ($000)	OBLIGATIONS ($000)	OUTLAYS ($000)
SORREL	GOVERNORS IS., NY	$9,293	$9,293	$9,268
GENTIAN	MOREHEAD CITY, NC	$9,098	$9,099	$9,074
COWSLIP	PORTSMOUTH, VA	$9,431	$9,232	$9,182
CONIFER	SAN PEDRO, CA	$10,400	$10,193	$9,225
MADRONA	CHARLESTON, SC	$10,700	$10,000	$2,032
LAURAL	MAYPORT, FL	$10,750	$10,196	$0
PAPAW	SAN JUAN, PR	$11,398	$3,941	$0
SWEETGUM	GALVESTON, TX	$11,746	$3,842	$0
SAGEBRUSH	MOBILE, AL	$12,108	$3,828	$0
BUTTONWOOD	SAN FRANCISCO, CA	$12,108	$0	$0
SALVIA	KETCHIKAN, AK	$12,484	$0	$0
BLACKHAW	HONOLULU, HI	$12,874	$0	$0
PLANETREE	GUAM, MI	$12,874	$0	$0
MALLOW	ASTORIA, OR	$13,281	$0	$0
	SPARE PARTS	$500	$138	$54
	PROJECT DESIGN & CHANGES	$500	$ 75	$50
	TOTAL	$159,545	$69,837	$38,885

SLEP CONTRACTS

Mr. COUGHLIN. Please also provide for the record a summary of any SLEP contracts you have with commercial shipyards, including the name/location of the shipyard, the type of contract, the provisions for escalation, cancellation costs, warranty provisions, and contract notification provisions.

[The information follows:]

There have been no SLEP contracts with commercial shipyards.

MRR HELICOPTER PROCUREMENT

Mr. COUGHLIN. On page 101, you plan to spend $41 million in fiscal year 1986 to initiate a major new procurement of medium range helicopters. We discussed this last year at which time you said that you hoped to piggyback on a DOD helicopter buy to enhance standardization of parts, and, I hope, reduce procurement costs. Will you in fact be able to do this? I think you discussed that earlier.

Admiral GRACEY. Yes. We are very hopeful we will.

Mr. COUGHLIN. I do not believe you have requested any R&D funding for the new medium range helicopter in previous years.

Will you be able to move directly into procurement without doing any R&D?

[The information follows:]

The FY 1986 Department of Defense budget contains funds for 3 MRR helicopters under Coastal Defense Augmentation. Coast Guard plans to combine MRR requirements with the Navy's Helicopter Combat/SAR procurement. The Navy required that the Helicopter Combat/SAR aircraft candidates be a derivative of an existing in-production system. Because of that requirement, Research and Development funds are not necessary. The MRR helicopter including its engines, avionics, and dynamic components will have already been a proven system; therefore, the Coast Guard can move directly into full scale production without a Research and Development effort.

Mr. COUGHLIN. Do you plan to buy a prototype helicopter and test it before you proceed with the purchase of additional helicopters? Or do you plan to proceed directly into the procurement?

[The information follows:]

The Coast Guard intends to go directly into the MRR Procurement without buying a prototype aircraft. Because the planned replacement aircraft will be derivative of an existing in-production aircraft and because the Navy will be running a complete evaluation of the aircraft a Coast Guard prototype is unnecesary.

PROTOTYPE MRR

Mr. COUGHLIN. Please provide for the record a breakdown of the costs of purchasing only a prototype MRR helicopter for test and evaluation purposes, and also explain the disadvantages of withholding the remainder of this procurement until such prototype has been thoroughly tested and evaluated.

[The information follows:]

The costs for purchasing a prototype helicopter for test and evaluation purposes presume a need for a Research and Development effort. New development effort based on an existing airframe and in-production engines would cost approximately $320 million in Research and Development and over $25 million per airframe for final production.

By withholding the remainder of this procurement until completion of prototype evaluation, the MRR replacement would be delayed by three to five years. Such a delay would exacerbate difficulties presently experienced with support for the aging HH-3F helicopters. The Coast Guard MRR capability would deteriorate seriously.

Combination of all Coast Guard MRR requirements in a single procurement administered by the Navy will result in economics of scale associated with both the production process and the procurement process.

OLD VERSUS NEW MRR HELICOPTERS

Mr. COUGHLIN. Please also provide for the record a comparison of the operating characteristics of the old MRR helicopters and the new ones you plan to buy.

[The information follows:]

Operating characteristics of the planned MRR replacement will equal those of the old MRR helicopter (the HH-3F). Salient characteristics include a requirement to fly out 300 miles, maneuver, rescue six survivors, return 300 miles with required fuel reserve at air speeds equal to the HH-3F. Because planned procurement strategy involves a competitive procurement and the winner of the competition will not be known for some time, specific characteristics cannot be quoted.

MRR WARRANTY

Mr. COUGHLIN. Do you plan to obtain warranties for these helicopters? If not, why not? And if so, what are the terms of the warranties?

Admiral GRACEY. The procurement strategy involves riding a DOD contract. The basic governing contract will be a DOD contract, and, to the extent that they follow the warranty practice, we would, too.

We have not really worked out the details of the procurement strategy yet, but our idea is to piggyback on their contract. So I think we would. Being their contract, it would be their decision.

SRR SPARE PARTS AND PERFORMANCE

Mr. COUGHLIN. On page 102, you plan to spend $5.6 million in fiscal year 1987 for spare parts for your new short range helicopters.

Is this part of the normal spare parts purchases for these helicopters, or are you experiencing abnormal problems similar to the Falcon Jet situation that requires you to buy these spares?

Admiral GRACEY. No. We are not having problems. We had some reduction in the 1986 level of funding, and this is just the result.

Mr. COUGHLIN. You had experienced some problems with these new helicopters prior to acceptance related to snow ingestion, rotor blade configuration, landing gear, and the like. How have these helicopters been running now that some of them are on line?

Admiral GRACEY. They are running very well, sir.

Mr. COUGHLIN. How many of them are on line?

Admiral GRACEY. What is the number? I can plug it in. I think we have got three air stations now on line, so it is in the order of nine or ten, but I would have to guess. That is right. We have also got mobile, probably 24, 25. We will clarify that for the record.

[The information follows:]

As of the November 1984 conditional acceptance of the first HH-65A (Short Range Recovery) helicopters, the only significant problem with the aircraft was its inability to safely operate in outside air temperatures of 41°F or less (snow ingestion

problem). Conditional acceptance in this case was predicated on the contractor's ability to resolve that deficiency. (With both sides reserving their rights as to the costs for that solution.) The problem has been resolved and the Short Range Recovery (SRR) implementation has proceeded on schedule with no significant problems.

Twenty five HH-65's have been accepted and implemented at warm weather sites. The helicopters are doing very well operationally, meeting all mission requirements, and have successfully executed many rescues. With the snow ingestion problem resolved, sites throughout the U.S. will be implemented.

SRR PROCUREMENT COSTS

Mr. COUGHLIN. Please provide for the record an updated table of SRR procurement costs similar to what appears on page 930 of last year's hearing record.

Please include an explanation of any variance with last year's submission of over 3 percent.

[The information follows:]

An updated SRR Helicopter procurement cost table is provided as requested. Three items have a variance of 3 percent or greater: spares, contract administration and Economic Price Adjustments.

The spares line item includes site spares, depot spares, test equipment, depot repair equipment and aircraft modification. Aerospatiale Helicopter Corporation recommended initial investment of $200M for spares. We rejected this recommendation as excessive. Initial sparing levels were calculated using the best information available at the time. Since then, two additional sites (Astoria and Borinquen) have been added and six additional aircraft procured. Spares requirements have been adjusted using updated information including actual usage data.

Contract administration costs have been updated to reflect additional testing required to assure contract compliance.

Economic Price Adjustments were overestimated during the period when inflation was running over 15 percent.

SAR HELICOPTER PROCUREMENT

CONTRACT PROCUREMENT COSTS ($M)
(Comparison of Original versus Current Contract)

		FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	OUT YEAR	TOTAL
Aircraft (Quantity)	Original	10	13	14	32	21						90
	Current	10	13	14	32	27*						96
Aircraft	Original	22.1	28.7	30.9	70.7	46.4						198.8
	Current	22.1	28.7	30.9	70.7	77.0*						229.4
Reliability Assurance Warranty (RAW)	Original			10.9								10.9
	Current			10.9								10.9
Technical Representative	Original			0.9								0.9
	Current			0.9								0.9
Training	Original		1.0	1.3	1.5							3.8
	Current		1.0	1.2	1.4							3.4
Spares	Original		6.1	8.1	8.2	16.1						38.5
	Current		6.1	8.1	8.2	16.1	4.0	8.5	13.4	5.6	12.0	81.0
Spares Escalation	Original		0.7	1.8	2.7	7.3						12.5
	Current		1.5	3.2	4.8	12.8		2.0	4.0			28.3
Contract Administration	Original	0.1	0.2	0.2	0.1	0.1	0.1	0.1				0.9
	Current	0.2	0.2	0.2	0.1	0.1	0.2	0.3	0.7	0.6	0.2	2.8
Contract Economic Price Adjustment (EPA for Aircraft, RAW, Training)	Original	1.4	3.8	8.6	12.1	15.4	19.8	20.6	5.8			87.5
	Current	0.9	7.2	12.3	14.3	16.1	14.8	9.1	5.1			79.3
								TOTAL			Original	353.8
											Current	437.7
Annual Percentage Increase Due EPA (Cumulative)	Original	0.7%	2.4%	6.5%	12.1%	19.3%	28.6%	38.3%	41.0%			41.0%
	Current	0.4%	3.8%	9.6%	16.3%	23.8%	32.6%	38.7%	41.1%			41.1%

*Include $30.6 million in Congressional add-on funding for six additional SAR helicopters via the 1983 DOT Appropriations Act.

SRR PROCUREMENT MILESTONE

Mr. COUGHLIN. Please also update the SRR helicopter procurement milestone table appearing on page 932 of last year's hearing record.

Please also explain the reasons for changing from the "G" model to the "G–1" model, and provide a detailed comparison of the two models.

[The information follows:]

SRR HELICOPTER PROCUREMENT
MILESTONE TABLE

EVENT		ORIGINAL CONTRACT	ACTUAL (PROJECTED) DATE COMPLETED
Preliminary Design Review	(SA-366G)	OCT 79	OCT 79
Critical Design Review	(SA-366G)	JAN 80	FEB 80
	($SA-366G_1$)	NA	DEC 82
Type Certificate of Parent Aircraft	(SA-365N)	FEB 81	NOV 81
Engine Certification		SEP 80	AUG 81
First Flight of number 1 Aircraft	(SA-366G)	SEP 80	JUL 80
Completion of Hot Mock-up		OCT 80	NOV 81
Begin Type Certification Demonstration	(SA-366G)	OCT 80	OCT 80
	($SA-366G_1$)	NA	JUL 81
Begin Supplemental Type Certification Demonstration	(SA-366G)	AUG 81	AUG 81
	($SA-366G_1$)	NA	JUL 83
Begin Coast Guard Demonstration	(SA-366G)	AUG 81	Not accomplished
	($SA-366G_1$)	NA	APR 83
Complete Type Certification	(SA-366G)	AUG 81	DEC 82
	($SA-366G_1$)	NA	JUL 83
Complete Coast Guard Demonstration	(SA-366G)	OCT 81	Not accomplished
	($SA-366G_1$)	NA	JUL 84
Complete Supplemental Type Certification	(SA-366G)	AUG 81	APR 83
	($SA-366G_1$)	NA	NOV 83
Delivery of First Aircraft	(SA-366G)	NOV 81	NA
	($SA-366G_1$)	NA	NOV 84
Delivery of 90th Aircraft	(SA-366G)	FEB 86	NA
96th Aircraft	($SA-366G_1$)	NA	MAR 88*

* Six additional HH-65A's funded in FY83 budget. Contract awarded 15 JAN 85.

NOTE: The SRR Helicopter Procurement has involved certification efforts (both VFR and IFR) of two distinct models of the HH-65A. The deliverable configuration is the $SA-366G_1$. This model differs from the G version primarily in the size and efficiency of the tail rotor (fenestron). The change was necessitated by the G models inability to meet performance guarantees and was fully funded by contractor.

SRR DELIVERY SCHEDULE

Mr. COUGHLIN. Please also provide for the record an updated table of the SRR helicopter delivery schedule found on pages 933 and 934 of last year's hearing record.

Please also indicate when each helicopter was or will be delivered.

[The information follows:]

The Coast Guard accepted the first HH-65A in November 1984. Twenty five HH-65A's have been accepted through March 1985. The existing schedule calls for the delivery of 1 helicopter per month for the first six months, 2 helicopters per month through July 1986 and 3 helicopters per month until deliveries are complete in March 1988.

Current plans are to replace 69 HH-52A's and 8 HH-3F's with 80 HH-65's at the sites listed. Most of the replaced HH-52A's will be surveyed and placed in permanent storage at Davis-Monthan Air Force Base. A few, however, will be donated to aviation museums. A number of these HH-3F aircraft will be reassigned to other air stations requiring their extended range and lift capability. This action is part of a plan to increase the efficiency and effectiveness of our aviation program by reallocating aircraft to meet changing mission needs. The remainder will at least temporarily become support aircraft.

The table below shows where HH-65A's will be assigned and what aircraft they will replace.

HH-65A ASSIGNMENT AND AIRCRAFT REPLACED

Air station	Number of HH-65A	Aircraft replaced	
		(HH-52A)	(HH-3F)
Astoria	3	.....	3
Barbers Point	3	2	.....
Borenquen	4	.....	3
Brooklyn	5	5	.....
Cape May	3	3	.....
Chicago	2	2	.....
Corpus Christi	3	3	.....
Detroit	3	3	.....
Houston	4	4	.....
Humboldt Bay	3	2	.....
Kodiak	4	4	.....
Los Angeles	3	3	.....
Miami	9	8	.....
Mobile	12	12	.....
New Orleans	5	3	2
North Bend	3	3	.....
Port Angeles	3	3	.....
San Diego	4	.....	3
San Francisco	.....	3	[1](3)
Savannah	4	3	.....
Traverse City	.....	3	[1](3)
Total operational	80	69	5
Support/attrition	16	0	.....
Total aircraft	96	69	5

[1] HH-52As at Traverse City and San Francisco will be replaced by HH-3Fs.

SRR HELICOPTER SPARES ESCALATION

Mr. COUGHLIN. Please also provide for the record a breakdown of SRR helicopter spares escalation in similar format to that presented for helicopter escalation costs as found on pages 934 and 935 of last year's hearing record.

Please also include a new helicopter cost table for reference purposes.

[The information follows:]

Spare parts escalation was not part of the basic contract Economic Price Adjustment (EPA) clause and cannot be broken out in a table similar to SRR Helicopter escalation costs. Contract EPA covers only helicopter, Reliability Assurance Warranty (RAW), and training. Helicopter escalation costs are fixed by the terms of the contract and, using the Industrial Commodities Index as a base, are applied to a fixed airframe price over a finite period of time.

Spare parts are negotiated separately. Original planning requirements for the quantities of spare parts required were underestimated and both the cost and quantities required have increased over time. Spare escalation costs shown on the SRR Helicopter procurement cost table are primarily price increases due to delays of up to 5 years in executing spare parts orders. Aircraft delivery delays prevented us from ordering spare parts earlier.

SRR HELICOPTER ESCALATION COSTS

(Dollar amounts in thousands)

Period	Date ending	[1] Estimate	Actual	Annual inflation (percent)	Percent increase (cumulative)
1	June 30, 1979	$72	$64		[2] -11.1
2	Dec. 31, 1979	947	1,036	18.4	7.9
3	June 30, 1980	2,030	2,777		27.2
4	Dec. 31, 1980	3,122	4,225	11.9	31.3
5	June 30, 1981	4,225	5,683		32.6
6	Dec. 31, 1981	4,742	5,984	7.0	30.6
7	June 30, 1982	5,481	6,382		26.8
8	Dec. 31, 1982	6,144	[3] 6,761	0.1	23.0
9	June 30, 1983	6,953	6,990		18.3
10	Dec. 31, 1983	7,964	7,447	1.7	13.6
11	June 30, 1984	8,655	7,378		8.7
12	Dec. 31, 1984	9,176	7,330	1.9	4.3
13	June 30, 1985	8,709	6,435		0.0
	Total	68,220	68,492		0.0

[1] Estimate based on inflation of 9% per year.

[2] EPA payments were limited in the contract to 80 percent of normal amount due the contractor in these two semiannual periods, therefore amount obligated does not reflect actual inflation in 1979.

[3] Adjustment to actual payments in periods 9-12 reflect final computed values.

ACTIVE GATED TELEVISION

Mr. COUGHLIN. On page 103, you plan to spend $2.9 million in fiscal year 1987 to purchase spare parts for your "active gated" television units that are part of the six AIREYE sensor packages being tested on your Falcon jets.

The Inspector General raised several serious concerns about this system.

How well is the active gated television system working? And what is it?

Admiral GRACEY. I will answer the last one first. It is a night time sensor. It has been part of the package all along, but recognize, we were once again pushing the state of the art.

It is designed to illuminate a target so that we can read the name of a ship. That is the primary value. We can identify it, take a picture of the identification in real time, have it recorded, and use that as evidence later on.

I have seen films, demonstrations done from just a standing object at an airport in Canada, and it is absolutely amazing, the low light level, the cameras, and then what happens with this process. We did some flight testing, and had reasonably good success, but there were some problems.

We are completing the flight test and evaluation of a prototype now. One of the beauties of this system is that the target does not know he is being illuminated. It is not a spotlight kind of thing at all.

Mr. COUGHLIN. Kind of like "fuzzbusters"?

Admiral GRACEY. No, it is a laser system.

Mr. COUGHLIN. Are you satisfied with how well they are working?

Admiral GRACEY. Well, we are delighted with the prospects and we are delighted with what we have seen, but we have had some growing pains. The prototype is being tested and evaluated now. When we get it out there, I think it is going to do good things for us.

Mr. COUGHLIN. Why were not sufficient spares bought when you originally purchased the six television systems?

Admiral GRACEY. It has been a developmental progressive kind of thing that has been going on for some time.

As I said, we are really pushing the state of the art. For example, the first item we had was in a pod that had been handtooled, and that will not do, of course. It would be much too heavy for our flying, the ultimate type we wanted.

We just wanted to get the shape and the aerodynamics, and there were a lot of unknowns. We are talking about a laser process here, and I do not think there was any way we could develop the parts.

AGTV OPERATIONAL EXPERIENCE

Mr. COUGHLIN. Please provide for the record an explanation of your operational experience with the AGTV's to date.

[The information follows:]

We are still operating only the prototye Active Gated Television (AGTV). This prototype has been operated over 4000 hours, mostly in the laboratory. A complete

evaluation of the AGTV's operational capabilities has been hampered by equipment failures since the system was deployed to Air Station Miami in September. The failures on the prototype are not indicative of the reliability we expect on the production systems. The new systems will incorporate production methods and improvements that will enhance the AGTV's reliability. What experience we have gained indicates that the AGTV is an extremely valuable asset in the identification of vessels at night for our drug interdiction, search and rescue, general law enforcement and defense readiness missions.

C-130'S FLAR PROCUREMENT

Mr. COUGHLIN. On page 104, you propose spending $44.525 million—$33.525 million in fiscal year 1986 and $11 million in fiscal year 1987—to procure 24 FLAR search radars for your C-130's.

Last year you said the Navy was delayed in awarding this contract. Has it been awarded yet?

Admiral GRACEY. I understand it is to be awarded in April of this year.

FLAR INSTALLATION SCHEDULE

Mr. COUGHLIN. Please provide for the record a FLAR installation schedule for each aircraft. Please also show where each aircraft is based, and the cost per aircraft.

[The information follows:]

The table below shows the anticipated installation schedule for the C-130 surface search radar. The table is based on installation completion dates.

Air station	Aircraft allowance	Installation schedule
Clearwater, FL	7	Feb 88 to Oct 88
Sacramento, CA	3	Nov 88 to Oct 89
Kodiak, AK	6	Mar 89 to Aug 89
Elizabeth city, NC	3	Oct 89 to Nov 90
Barbers Point, HI	3	Sep 89 to May 90
Total	22	
Support aircraft	4	As required to meet operational commitments.
Total aircraft	26	

Estimated installation cost totals $8.735 million for these 26 aircraft. This cost includes non-recurring engineering, installation kits including accessory hardware, cabling, harnesses, and documentation requirements. The average cost per aircraft is estimated at $336,000.

FLAR WARRANTY

Mr. COUGHLIN. Please also provide for the record a summary of the terms and conditions of the FLAR warranty as negotiated by the Navy.

[The information follows:]

The Navy has not negotiated the contract as of this date. The contract will provide for contractor maintenance at a firm fixed price for the first five years of radar use. This maintenance agreement is better than a hardware warranty because it requires a fixed level of operational availability from the contractor.

FLAR FUNDING

Mr. COUGHLIN. Please also provide for the record a breakdown of FLAR appropriations, obligations and outlays, by fiscal year and include estimates for fiscal years 1986 and 1987.

[The information follows:]

The table below indicates funding sources for the C-130H forward looking airborne radar program.

SOURCE	FY82	SOURCE OF FUNDS (in millions) FY84	FY86	FY87	FUTURE REQUIREMENTS	TOTAL
CG AC&I	13.1	2.0			9.13	24.23
FY84 DOD SUPPLEMENTAL		6.1				6.1
USN APN 7 AVIATION PROCUREMENT-NAVY			9.71	4.79*	5.22*	19.72
$375M DOD COASTAL DEFENSE APPROPRIATION (After reprogramming)			44.525			44.525
TOTAL	13.1	8.1	54.235	4.79	14.35	94.575

*The Coast Guard has requested Navy funding (Navy Planned Obligation Memorandums) in the amount of $4,790,000 for FY 1987 and $5,220,000 in ouryear requirements. If these funds are not provided, the future Coast Guard AC&I requirement increases by $10,010,000 to $19,140,000.

The table below indicates the obligation schedule for the C-130H forward looking airborne radar program.

OBLIGATION SCHEDULE
(in millions)

ITEM	FY 1985 (& EARLIER)	FY86	FY87	FUTURE YEARS	TOTAL
APS-137 RADARS		50.94		10.58	61.52
SUPPORT/SPARES		13.35		3.2	16.55
TRAVEL/ADMIN (Includes publication updates)	0.11	1.0	1.0	1.0	3.11
PROVISIONS	4.66				4.66
INSTALLATION		5.0	3.735		8.735
TOTAL	4.77	70.29	4.375	14.78	94.575
CARRY-OVER	16.43	0.375	0.43		

FLIR CONTRACTS/FUNDING

Mr. COUGHLIN. Please also provide for the record a summary of the major contract provisions for the foward looking infrared (FLIR) system for the SRR helicopters, and also break down FLIR appropriations, obligations, and outlays by fiscal year.

[The information follows:]

Major contract provisions for forward looking infrared systems in the HH-65A include a structural allowance for mounting a 70 pound, 16 inch diameter turret on the aircraft center line just forward of the nose landing gear, space in the main avionics bay for a 6 inch cube electronics package, allowance for an 1800 volt-amp power requirement and compatibility with the cockpit horizontal situation and video display.

Project appropriation, obligation, and outlay history is outlined below:

FUNDING ($000)

	FY82	FY83	FY84	FY85	FY86	TOTAL
Appropriations	25,200	14,865	0	0	6,000	46,065
Reprogrammings	0	(14,500)	(8,100)	(6,300)	(6,000)	(34,900)
Obligations	0	0	543	0	0	543
Outlays	0	0	0	344	0	344
Carryover	25,200	25,565	16,922	10,622		10,622

Due to FY86 & 87 budget limitations and high project costs, this project is undergoing a critical review and may be cancelled.

FLIR OPTIONS

Mr. COUGHLIN. Please also provide for the record an explanation of what FLIR items you considered optional, their price, and the impact on the cost of the overall FLIR contract per the instructions of the Assistant Secretary for Administration on October 25, 1983.

[The information follows:]

Delineation of optional requirements in the HH-65A Forward Looking Infrared System technical specification has yet to be determined pending award and completion of the Installation Design Study.

ALTERATION OF BRIDGES

Mr. COUGHLIN. You are not requesting any funds for alteration of bridges. What is your present unobligated balance under this appropriation?

[The information follows:]

The unobligated balance as of March 4, 1986 under the Alteration of Bridges appropriation is $22,273,515.

ALTERATION OF BRIDGES UNOBLIGATED BALANCE

Mr. COUGHLIN. Would you provide for the record a breakdown of your unobligated balance, indicating the projects for which the funds were appropriated.

[The information follows:]

A breakdown of the unobligated balance, indicating the projects for which the funds were appropriated, follows:

Gulf Intracoastal Waterway/Southern Pacific Transportation Company [1]	$9,161
Newark Bay/Central Railroad of New Jersey	10,888,354
Willamette River/Burlington Northern Railroad	9,381,000
Trent River or Willamette River as needed	1,495,000
Trent River/North Carolina Department of Transportation	500,000
Total	22,273,515

[1] Project is closed out; $9,161 is savings.

WILLAMETTE AND TRENT RIVER BRIDGES

Mr. COUGHLIN. In fiscal year 1986 Congress provided funding for the Willamette River Bridge in Portland, Oregon and the Trent River Railroad Bridge in New Bern, North Carolina.

What is the status of these projects?

Admiral GRACEY. The Willamette River Bridge project got held up because there was some discussion about application of Davis-Bacon rules to the calculations and to the contract.

That has now been resolved I guess with the veto of H.R. 2466. They plan to open the bid on that one in the third quarter of this year.

The design of the Trent River Bridge, has not started yet.

Mr. COUGHLIN. Will you have sufficient unobligated funds to continue these projects during fiscal year 1987?

Admiral GRACEY. Yes, if the award of the contract for the Willamette River Bridge is in September, at the very end of the year.

NEWARK BAY UNOBLIGATED FUNDS

Mr. COUGHLIN. Last year, it was indicated that you had a total of $3.7 million in unobligated funds from the Newark Bay project which had already been completed.

Are these funds still available? If not, what happened to them?

Admiral GRACEY. I do not know the answer to that.

Captain WILLIAMS. That is down to $2 million now, sir, and we have claims against that from the current contractor totalling about $3.7 million. That is under litigation. So, we are down to $2 million for the carryover with litigation pending on claims of $3.7 million.

Mr. COUGHLIN. The one bridge I know something about. You also indicated last year, that you expected to complete the work on the Point Pleasant Canal Bridge by December 1985.

Is this work completed?

Admiral GRACEY. It is expected to be completed in May of this year with the contracts for the approach roadways in about this time in 1987.

Mr. COUGHLIN. Do you have any bridges for which notices to alter have been issued but no funding has been provided?

Admiral GRACEY. No, sir.

RETIRED PAY

Mr. COUGHLIN. Turn to retired pay. After sequestration you will have $341,489,000 available for retired pay in fiscal year 1986. Are your current fiscal year obligations to date consistent with this funding availability?

Admiral GRACEY. I would like to ask Captain Williams if he will take these, if that is all right with you, sir.

Captain WILLIAMS. Yes, sir. At the current obligation rate we will have obligated over 99 percent of this appropriation. It is on track.

RETIRED PAY OBLIGATIONS

Mr. COUGHLIN. Would you indicate for the record your actual obligations to date during fiscal year 1986 and your estimated monthly obligations for the balance of the year.

[The information follows:]

Actual and estimated fiscal year 1986 retired pay obligations are:

October 1985 to January 1986 (actual)	$111,801,000
February	28,250,000
March	28,250,000
April	28,550,000
May	28,450,000
June	28,450,000
July	28,850,000
August	28,750,000
September	28,750,000
Total	340,101,000

RETIRED PAY MEDICAL CARE

Mr. COUGHLIN. On page 118, you are proposing a $7,161,000, or nearly 28 percent increase in medical care.

What is the basis for this large projected increase, particularly in view of the small increase in fiscal year 1986?

Captain WILLIAMS. Two reasons, really. One is that the medical costs are probably going up faster than anything else in our economy, and (2), DOD and CHAMPUS rules have been liberalized. There are now more new medical procedures covered than in previous years; for example, liver transplants. So we expect higher costs as a result.

RETIRED PAY COST-OF-LIVING ALLOWANCE

Mr. COUGHLIN. What is the status of proposed legislation to forego the fiscal year 1987 COLA?

Captain WILLIAMS. The President intends to submit that. It is part of our budget, sir.

Mr. COUGHLIN. Last year, you were estimating 1,015 new retirements in fiscal year 1985 and 961 in fiscal year 1986.

However, this year you show 837 for fiscal year 1985 and 806 for fiscal year 1986, about 17 percent below your estimates of a year ago.

Are you aware of any particular reason for this decrease in retirements?

Captain WILLIAMS. No, sir. I think our estimating techniques are getting a little better now and we are getting a little tighter accuracy. There has been some suggestion that folks who are retirement-eligible are staying in because they are not seeing a COLA on the retired side, but there are military pay raises. So economic conditions may be influencing them. We are not sure.

Mr. LEHMAN. Mr. Coughlin, let me ask a question. Are Coast Guard veterans eligible for VA hospitals?

Admiral GRACEY. Yes, sir. The same.

Mr. LEHMAN. No differential?

Admiral GRACEY. No, sir.

Mr. LEHMAN. Thank you.

Mr. COUGHLIN. Is your actual experience to date during fiscal year 1986 consistent with your estimate of 806 retirements for fiscal year 1987?

Captain WILLIAMS. Yes, sir. As of February 28th we had 374 and that tracks with our estimate of 806.

RETIREMENT TABLE

Mr. COUGHLIN. Would you update for the record the retirement table included on page 981 of last year's hearing record?

[The information follows:]

As of February 28, 1986 there were 24,169 retirees on the retired rolls.

ANNUAL RETIREMENTS AND NUMBERS ON ROLLS

	Estimated	Actual
Number on rolls: [1]		
1986	24,298	. . .
1985	23,913	23,755
1984	24,191	23,379
1983	23,562	23,085

ANNUAL RETIREMENTS AND NUMBERS ON ROLLS—Continued

	Estimated	Actual
1982	22,442	22,517
1981	20,831	21,714
1980	20,178	20,521
New retirements 1982–86 (fiscal year):		
1986	[2] 806	[3] 374
1985	860	837
1984	1,287	750
1983	1,283	860
1982	1,060	954

[1] Average strength on the rolls during year indicated.
[2] Reflects update of fiscal year 86 budget submission estimate.
[3] As of February 28, 1986.

RETIRED PERSONNEL AVERAGE ANNUAL PAY

Mr. COUGHLIN. Would you also update for the record the table included on pages 982 and 983 of last year's hearing record indicating by grade the average annual pay for your retired personnel.

[The information follows:]

AVERAGE ANNUAL PAY FOR RETIRED PERSONNEL BY GRADE

	Regular	Reserve
Commissioned officers:		
0–10	$66,130	
0–9	55,608	
0–8	50,630	$15,108
0–7	45,900	
0–6	36,491	11,788
0–5	24,602	8,929
0–4	20,798	7,745
0–3	17,403	7,183
0–3E	17,085	8,064
0–2	10,839	7,764
0–2E	13,008	
0–1	10,534	
0–1E		
Warrant officers:		
W–4	22,442	7,728
W–3	15,465	5,840
W–2	12,745	4,828
W–1	11,274	
Enlisted personnel:		
E–10	28,764	
E–9	17,860	6,401
E–8	13,938	5,454
E–7	11,424	5,149
E–6	9,528	4,169
E–5	6,132	3,699
E–4	3,959	4,770
E–3	3,346	
E–2	2,762	808
E–1	2,661	

RESERVE TRAINING

Mr. COUGHLIN. Turn to reserve training. We have already discussed your proposal to increase the selected reserve. What is the current onboard strength of your selected reserve?

Admiral GRACEY. At the end of January it was 12,554.

Mr. COUGHLIN. Last year, you indicated that you still had personnel shortages in certain technical or other specialty areas, such as radarmen, sonar technicans, gunners mates, fire control technicians, and quartermasters.

To what extent do these shortages still exist?

Admiral GRACEY. They still exist. It is interesting to note that they are the same kinds of skills in which we have to pay reenlistment bonuses in the active forces as well. These are the ones that require a lot of training time. There are other things to keep them interested. They are very low population specialties in the Reserve. By that we mean we do not have very many billets for these particular kinds of skills within the Reserve, so that swings are exaggerated.

OPERATION AND MAINTENANCE FUNDING

Mr. COUGHLIN. Would you provide a breakdown of your $11,887,000 request for operation and maintenance of your training facilities similar to that included on page 983 of last year's hearing record.

[The information follows:]

Coast Guard Reserve Training Activities

	Thousands
Annual training and initial active duty sites:	
Reserve Training Center, Yorktown	$7,417
Reserve Schools, Alameda	678
Training Center, Cape May	571
Training Center, Petaluma	214
Inactive duty training sites	2,627
Course preparation and evaluation site: Coast Guard Institute	321
Supply Center, Brooklyn	59
Total	11,887

INITIAL TRAINING DAYS

Mr. COUGHLIN. On page 127, you show an increase of more than 75 percent in initial training days from fiscal year 1985 to fiscal year 1987. What is the reason for this large increase?

[The information follows:]

Only non-prior service enlistees undergo Initial Active Duty for Training, or Boot Camp. In Fiscal Year 1985, we achieved only 54% of our non-prior service recruiting goal. That kept our initial training days well below projected, desired levels, We need and expect to do better in recruiting non-prior service enlistees in Fiscal Year 1987. That is why our initial training days projections for those years are substantially higher.

DRILLS

Mr. COUGHLIN. Last year, it was indicated that your budget assumed 42 drills per year. What are your current assumptions for fiscal year 1986 and 1987?

Admiral GRACEY. Well, our assumption is that we will stay the same. Our goal is that we would like to have 48 drills per year, but we are running about 88 percent of that, and we figure we will be staying there.

SPLIT PHASE TRAINING PROGRAM

Mr. COUGHLIN. Would you explain your split phase training program for non-prior service recruits.

[The information follows:]

The split phase program is designed to accommodate fulltime students by providing a way for them to work their Initial Active Duty Training in between school years. They attend "boot camp" (8 weeks) during their first summer and advanced specialty training which qualifies them as Petty Officers (approximately 12 weeks) during their second summer. They remain in the Selected Reserve for a total of six years.

INITIAL TRAINING DAYS

Mr. COUGHLIN. Would you update for the record the table showing initial training days that was included on page 984 of last year's hearing.

[The information follows:]

BREAKDOWN OF INITIAL TRAINING DAYS

Category	Number of reservists	Total days
RP—single phase[1]	400	58,800
RK–I—split phase, year one[2]	504	28,224
RK–II—split phase, year two[3]	461	41,951
Total		128,975

[1] Program description: RP—Nonprior service recruit; age 17–26; spends average of 147 days (continuous) at initial training.
[2] RK–I—Nonprior service recruits enrolled in school; age 17–26; spends average of 56 days in phase I of initial training (boot camp only).
[3] RK–II—Prior year RK–I's; spend average of 84 days in Phase II of initial Training (A school training).

MOBILIZATION PLANS

Mr. COUGHLIN. Last year, it was indicated that you had a 14,365 person shortfall in your mobilization or readiness plans.

In view of the fact that it is unlikely that you are going to be able to significantly reduce this shortfall in the near future, do you intend to make any adjustments in these plans?

Admiral GRACEY. No. The plans cannot change because they are based on national requirements, what needs to be done. They are not based on what the Coast Guard would like to do. They are governed by what functions need to be performed in what ports, both in the United States and overseas, in the process of doing the Coast Guard's wartime assignments.

To determine shortfall we first estimate what the active duty strength of the Coast Guard will be. To that we add Selective Reserve strength. The combination tells us what the Coast Guard's capability will be, and the difference between that and what the war plans say must be done is the shortfall. The shortfall remains at about 14,500. I should clarify one point. We are doing a better job of developing the mobilization and contingency needs, and we

have gone into a new kind of planning program which should verify that we are correct in our estimates. We also learn things as we do exercises. We learn what we can and cannot do. Our philosphy established early on in my tenure is this: we need twenty-some thousand Reservists. But we do not have them. What happens if the war starts tomorrow?

Let's do our planning based on the total need, but within that, let's do some planning as to how we will use the ones we have in case of emergency.

And so we have plans as to how to put the strength we have, at any given time, to most effective use.

RESERVE RECRUITING

Mr. COUGHLIN. Would you update for the record the tables on pages 985 and 986 of last year's hearing record showing reserve recruit input by month.

[The information follows:]

RESERVE RECRUIT INPUT BY MONTH

	Non-prior service personnel[1]	Prior service personnel	Total
1985:			
Oct	21	64	85
Nov	18	58	76
Dec	12	68	81
Jan	26	69	95
Feb	23	57	80
Mar	32	67	99
Apr	33	85	118
May	57	52	109
Jun	154	67	221
Jul	44	51	95
Aug	31	69	100
Sep	28	117	145
Total	479	825	1,304
1986:[2]			
Oct	19	65	84
Nov	16	89	105
Dec	18	78	96
Jan	27	93	120
Feb	13	107	120
Mar	13	110	123
Apr	15	107	122
May	13	110	123
Jun	385	106	491
Jul	10	111	121
Aug	11	109	120
Sep	10	110	120
Total	550	1,195	1,745
1987: (estimated)			
Oct	76	60	136
Nov	52	60	112
Dec	78	64	142
Jan	78	60	138
Feb	76	61	137
Mar	21	64	85
Apr	29	62	91
May	95	61	156
Jun	440	56	496
Jul	60	56	116
Aug	35	57	92
Sep	30	64	94
Total	1,070	725	1,795

[1]Includes only initial training personnel

[2]Oct-Jan actual data; Feb-Sep estimated

RESERVE GI BILL EDUCATIONAL BENEFITS

Mr. COUGHLIN. On page 136, what kinds of additional educational benefits were provided by the DOD Authorization Act?

Admiral GRACEY. Well, they're talking about extending what's called the Reserve GI Bill, and the benefits for the Reservists are funded by the parent service of the Reservist. Those that go to active force members are funded by the VA.

But in this reserve GI bill, the services themselves have to pay for it.

Mr. COUGHLIN. What's the basis for your request of $1,785,000 to cover these benefits?

Admiral GRACEY. Based on our strength and the number of people that are entitled to it, sir.

Can you clarify that, Captain Williams?

Captain WILLIAMS. Yes, sir. It's a present value amount that we need to pay the people who we anticipate will come into this entitlement in 1987. They can use it over ten years so it's a long period of time that we may have to pay it out.

RECRUITING AND RESERVE TRAINING

Mr. COUGHLIN. Is your requested increase of $1.67 million to increase recruiting and your two week training programs merely a restoration of the fiscal year 1986 reductions required by Gramm-Rudman?

Admiral GRACEY. Essentially it's that. It's to get us back up to the levels consistent with the priorities the President is stating in his 1987 budget.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION

Mr. COUGHLIN. What do you feel has been the most significant accomplishment of your research, development, test, and evaluation program during the last year?

Admiral GRACEY. One thing that intrigued me was a practical demonstration of a new automated aids to navigation positioning system we've been developing for some time. After Hurricane Gloria swept through New York Harbor, we had the aids in the harbor all put back in place in about four days. It was because the buoy tender could come up and get a position and get the buoy in place and move on rather quickly, whereas in the past it's been a somewhat complex process.

The use of the R&D program for the WPB selection is also a significant accomplishment, because it has made a great contribution to our decisions in design.

You asked for the most significant, and I would have to browse through all the accomplishments and pick out a few to tell you.

Mr. COUGHLIN. Could we have that for the record?

Admiral GRACEY. Yes. I think that would be best.

[The information follows:]

In addition to the automated aid positioning system and our work in the WPB selection area, other significant accomplishments include:

Planned, designed and built a working prototype Ocean Dumping Surveillance System (ODSS): Automated system provides "real-time" monitoring capability of at-sea waste disposal. Environmental Protection Agency (EPA) officials witnessed a

highly successful demonstration of the system last Fall and would like to see it deployed as soon as possible.

Identified a new protective suit material for personnel working with hazardous chemicals in the marine environment: Protects against a wider array of chemicals, eliminating the need for several suits of different materials.

Initial tests of a concealed compartment detection kit on confiscational drug-running boats in Miami yielded successful results; operational testing is underway aboard the Coast Guard Cutter COURAGEOUS.

Developed a comprehensive set of guidelines for designing simulator training that will benefit all ship's pilots; Office of Merchant Marine Safety has already used the guidelines to evaluate pending licensing credit requests.

EQUIPMENT DEVELOPED THROUGH RESEARCH

Mr. COUGHLIN. Would you provide for the record some of the new or improved equipment that you have developed through your research in the past two or three years that is currently being used in your day-to-day activities?

[The information follows:]

The following equipment recently developed or improved by our research and development program is being used in day-to-day activities:

Joint Search and Rescue Satellite Aided Tracking (SARSAT) project: Resulted in over 475 lives saved worldwide.

Solar powered buoys: Approximately 10,000 aids to navigation currently undergoing conversion.

Articulated (flexibly-moored) buoys for installation in shallow water where risk of collision with ships is great.

Differential Loran-C systems installed in several U.S. harbors.

Automated Aids Positioning System: For faster, more accurate aid-to-navigation positioning and automated record keeping. The system has shown a high degree of operational effectiveness aboard the Coast Guard Cutter RED OAK.

Short Range Aid-to-Navigation Design Manual: Instructs Coast Guard personnel on best aid designs for least cost.

Ship-tethered Radar Aerostat: System shown to be highly effective in drug interdiction operations.

Ocean Dumping Surveillance System: Being used to monitor waste-dumping operations at sea to ensure compliance with laws and regulations.

RIDE CONTROL SYSTEM TEST

Mr. COUGHLIN. Last year it was indicated that you intended to test a ride control system on one of your smaller surface effect ships. Has this test taken place and, if so, what were the results?

Admiral GRACEY. It did take place last fall in the Sea Hawk, but I'm not aware of the results. I'm not sure they're in yet. I think the data is still being massaged.

DIGITAL VOICE AND DATA COMMUNICATIONS SYSTEMS

Mr. COUGHLIN. Last year's Committee Report directed you to continue the development and testing of an all-digital voice and data communication system for both airborne and shipboard application. What's the status of this effort?

Admiral GRACEY. That's going forward. The data part of it is giving us some grief. The state of the art is such that for our purposes there is no readily identifiable source of that kind of equipment. But in terms of communications, we've done quite a bit of work on the digital voice part. For example, we're running a test at Group Hampton Roads, a test bed. It won't be the ultimate we want, and it won't include data, but it will give us a lot of experience.

We have a link we're installing in our helicopters, running a test between the HH-65 helicopter and shipboard as a data link. It has a lot of potential.

And there are other examples.

The problem is, as I understand it, that the data systems that might be available for us have not been approved by the National Security Agency yet.

R&D UNOBLIGATED BALANCES

Mr. COUGHLIN. Last year your estimated unobligated balance for the end of fiscal year 1985 was $2,389,000. However, your actual unobligated balance as of September 30, 1985, was $8,735,000.

What was the reason for this slippage of more than $6.3 million?

Admiral GRACEY. I think I'll ask Captain Williams to answer that one.

Captain WILLIAMS. Yes, sir. Our normal carryover in that account is about three to four million dollars a year. As the Commandant said, we have put the WPB acquisition replacement project in there for some steering. Because of some lack of finalization of which direction we wanted to go with some of these new prototypes, we didn't get that part of the contract awarded, and that's about $4 million. That doubled our normal carryover.

HYPROFOILS

Mr. LEHMAN. Excuse me, Mr. Coughlin. Does the Coast Guard have any hydrofoils?

Admiral GRACEY. No, sir. We have run some tests with some Navy ones over the years, but we don't have any.

We had one for a while.

Mr. LEHMAN. It doesn't fit into your program.

Admiral GRACEY. They're too expensive, and it really is almost a one mission boat. They're not good at towing, and they're not good in a lot of things we need. For dash speed, they're great. We ride with the Navy down out of Key West regularly.

LIGHTER-THAN-AIR

Mr. COUGHLIN. Last fall, we were advised that you had terminated your research involving lighter-than-air vehicles because a larger scale multi-year program was being launched by the Navy.

To what extent are you continuing to monitor the Navy's research in this area?

[The information follows:]

We are maintaining close liaison with the Navy, hoping to learn about cost-effectiveness, survivability, avionics, airship systems, integrated logistics support, ground handling, and human factors associated with the operation of blimps.

We will collect additional data from the Navy program to evaluate airship capabilities applicable to Coast Guard requirements (e.g., extended endurance, towing, on-scene delivery and retrieval) to determine the usefulness of airships to the Coast Guard. Although Coast Guard and Navy missions are different, many of the technologies and capabilities needed are similiar.

NAVY RESEARCH

Mr. COUGHLIN. To what extent have you looked into the applicability of other Navy research to assist you in meeting your needs?

[The information follows:]

We continually strive to interact with other government research and development (R&D) efforts to avoid duplication and increase our opportunities for joint ventures.

We routinely investigate Navy, Army, Air Force and civilian federal agency R&D program activities, past and present, to decide whether to proceed with a Coast Guard R&D project, and how to proceed. We use the Defense Technical Information Center data base extensively, as well as personal contact, to accomplish this.

Some current examples of Navy research which assist us in meeting our needs by providing useful results are:

Personnel management models and information management systems; advanced marine vehicles research; lighter-than-air (blimp) research; portable SONAR for harbor surveillance; and remotely piloted vehicles.

AIREYE SYSTEM

Mr. COUGHLIN. On page 149, what is the status of your testing of the electronic detection performance of the AIREYE system?

Admiral GRACEY. We ran a test at Air Station Miami, and we used it to locate Challenger debris. We've done field testing at four different locations.

SAR CREW PERFORMANCE TESTING

Mr. COUGHLIN. Last year you said you were going to conduct a field test last summer on the cause of SAR crew performance degradation and fatigue. What were the results of this test, and what actions have been taken since then.

Admiral GRACEY. Tentative results show that the ten hour limit we established was not too high, depending on the nature of the circumstances, but we've got to refine the data we have to compare with the distribution of the kind of weather they were in, and the effect of cold and heat and seasons and times of day.

The final report is due in in about a month.

Mr. COUGHLIN. In the past, we've discussed the false alarm problems of SARSAT. To what extent has your research been able to correct these problems?

Admiral GRACEY. Well, it hasn't been able to correct it yet. The work is really just getting under way this year.

Mr. COUGHLIN. On page 151, would you elaborate on your $400,000 request to "continue SRA routine service demands and platform capabilities studies"?

[The information follows:]

The Short Range Aids (SRA) routine service demands and platform capabilities studies are two of nine tasks to be performed on the five-year SRA Resource Management project. The project will provide the Office of Navigation with quantitative data to analyze the impact of changes to the SRA system and to determine the best mix of system resources.

The "SRA routine service demands" task will model the servicing demands of existing or proposed aids to navigation, and give decision makers a method to select meaningful servicing policies.

We will then study the reliability of aid components needing each type of service, then use measures of effectiveness (MOEs) to predict the best routine servicing cycles. Substantial data analysis will be required. Again, much work has been done, but field-level data collection will probably be needed.

The "platform capabilities study" will model our servicing vessels to compare proposed changes in their capabilities (speed, endurance, draft, lift capability, staffing and life cycle cost). The models will be generic, so existing and proposed platforms can be evaluated. This task will show relationships between platforms and aid service. The results will be coordinated with the Seagoing Buoy Tender/Coastal Buoy Tender (WLB/WLM) capabilities replacement project.

AUTOMATED POSITIONING SYSTEM

Mr. COUGHLIN. Last year you indicated that you were impressed with your automated positioning system for short range aids to navigation.

To what extent is this system being utilized in your day-to-day operations?

[The information follows:]

The Automated Aid Positioning System (AAPS) is still being developed. Presently, there are two systems installed and undergoing operational testing. By October 1986, five prototype systems will be installed on buoytenders. This will allow operational testing on different types of tenders, in different geographical areas, by different crews. The two buoytenders currently equipped with AAPS use the system on a daily basis for all aid positioning. We are getting continual feedback from the buoytender crews on how they use AAPS, and how it can be improved. The Coast Guard expects to install AAPS on all aid positioning vessels in the fleet by the end of 1989.

GLOBAL POSITIONING SYSTEM

Mr. COUGHLIN. On page 152, you are requesting $600,000 to continue your research on GPS (Global Positioning System). Research on GPS has been going on within the Department of Transportation, FAA and/or the Coast Guard for about 10 years.

Do you expect that you will ever be able to make a decision on whether GPS can replace Loran-C?

Admiral GRACEY. The question is in the close and very difficult areas of within harbors, and the harbor entrance areas. In terms of replacing it at sea, assuming the finer, more precise part of the system is available, there is no question. It will be able to replace Loran-C.

We think this work should be done in 1988 or 1989.

TLP INSPECTION PROGRAM

Mr. COUGHLIN. On page 153, your research involving tension leg platforms has been going on for four years. What have you learned to date from this research to assist you in your TLP inspection program?

Admiral GRACEY. I'm not able to answer that.

Captain TRAINOR. The early design concepts for the tension leg platform had to be modified or completely dropped because inspection was difficult or impractical. The high tension steel, the tension members were susceptible to failure. Those were the ones that are holding it in place. They've gone through different design criteria, and that's evolved based on operating environment in the Gulf of Mexico and also off the New England coast.

Mr. COUGHLIN. Last year it was indicated that there was one of these platforms in operation, and two more under construction.

Are any others under construction at this time?

Admiral GRACEY. We're not aware of it, Mr. Coughlin. No one has approached us on the subject.

COMMERCIAL VESSELS FIRE PROTECTION RESEARCH

Mr. COUGHLIN. You are requesting $400,000 for commercial vessel fire protection research which you indicated supports your regulatory mission.

What fire protection regulations have you issued or modified during the past year as a result of this research?

[The information follows:]

No new fire protection regulations were issued in the past year; however, several are in preparation at this time and one existing regulation has been modified. We used results from one project to reduce U.S. requirements for Roll-on/Roll-off cargo deck fixed CO_2 fire extinguishing systems, aligning CFR requirements with Safety of Life at Sea (SOLAS) 1974, as amended. A notice accepting these new requirements was published in the Federal Register. Additionally, the recently completed joint U.S./Canadian tests on the Fire Resistance of Bulkhead Penetrations will form the basis for acceptance of these penetrations as well as assist in developing potential future regulations. Eleven of the FY 1986 projects and nine of the proposed FY 1987 projects could support regulatory improvement.

HALON RESEARCH

Mr. COUGHLIN. What type of research are you planning to conduct in fiscal year 1987 involving Halon 1301?

[The information follows:]

No specific research dedicated to HALON 1301 is planned, though HALON 1301 issues may be a component of a local fire extinguishing task. Prior testing at the Fire and Safety Test Detachment in Mobile, Alabama served as the basis for acceptance of 1301 fire extinguishing systems on U.S. vessels. Also, information developed there was used by the U.S. delegate to the International Maritime Organization Fire Protection Subcommittee to develop international HALON 1301 system requirements. We are continuing our active involvement on the National Fire Protection Association Subcommittee on Halogenated Fire Extinguishing agents.

CREW EXPOSURE

Mr. COUGHLIN. On page 155, what has your research involving crew exposure to hazardous chemicals developed to date and how are the results of this research being disseminated to the maritime industry?

Admiral GRACEY. Southwest Research Institute was doing the work for us, and they've concluded that the risk to people working around hazardous chemicals in the transportation industry is a major problem.

The research results, as a matter of fact, were discussed just today before the Towing Safety Advisory Committee at Headquarters.

SHIP STRUCTURE COMMITTEE

Mr. COUGHLIN. You are requesting $150,000 to support the research of the Ship Structure Committee (SSC). What are some of the major conclusions and recommendations made by the SSC over the past few years?

[The information follows:]

The Ship Structure Committee (SSC) due to multiple agency funding (Coast Guard, Navy, American Bureau of Shipping, Maritime Administration, Military

Sealift Command, and Mineral Management Service) is highly cost effective to all agencies involved. It has published over 330 reports since its founding in 1946, and over 30 reports in the last five years. This effort has significantly increased our knowledge in the areas of fracture mechanics, reliability engineering, and wind, wave, and ice loading, leading to enhanced safety of ships and offshore structures. For example, recent ice project reports have been used by the Navy as a guide to ice-strengthen their vessels, by the American Bureau of Shipping in their 1986 "Ice Rules," and by the Coast Guard's Office of Enginering for icebreaker design.

RECREATION BOATS RESEARCH

Mr. COUGHLIN. On page 157, you are proposing to continue your validation of a safe powering standard for recreation boats. Last year it was indicated that this research would be completed in fiscal year 1987 when the safe powering formula was to be validated.

Is fiscal year 1987 still expected to be the final year for this research?

Admiral GRACEY. No, sir. We're going to have to stretch that out because of the funding situation.

We have tested 45 boats so far. We want to do about 15 more.

Mr. COUGHLIN. When do you expect that to be done?

Admiral GRACEY. Well, it will be into fiscal year 1988 at this point.

MARINE ENVIRONMENTAL RESPONSE SYSTEM

Mr. COUGHLIN. You are requesting $600,000 to study marine environmental response systems. What types of cleanup techniques do you intend to study regarding chemicals that mix in water?

Admiral GRACEY. We haven't defined that yet. One of the things we're going to be starting out with in 1987, which is the first of a three year effort, is to focus on chemicals that mix—acids, bases, heavy metals, things of that sort.

ARCTIC OIL SPILLS RESEARCH

Mr. COUGHLIN. Last year, you indicated that most of the research on the arctic oil spills was being done by the Canadian government. Have there been any significant breakthroughs in this research during the past year?

Admiral GRACEY. No. But there's been a great deal of interchange. We've learned things from them; they've learned things from us. We're doing a lot of work on a reimbursible basis for them, because we have some cold weather experts in the Coast Guard. And it's a cooperative effort.

There's a group called Ocean Principals. It includes the heads of all the agencies in government that are involved in oceans work—NOAA, the Coast Guard, Navy, and so forth. There's probably about ten of us. We meet quarterly and discuss activities going on. At the last meeting I saw a rather interesting collection of data that will be useful for the Canadians and for us. One of the agencies had developed it as a cooperative effort.

FIELD MANUALS/PORTABLE DETECTION MONITOR

Mr. COUGHLIN. You also indicated last year that you were working on field manuals and a second generation portable detection monitor. What is the status of each of these projects?

[The information follows:]

A Field Guide for Hazardous Chemical Response Techniques for Chemicals That Sink, which was a joint Coast Guard/Environmental Protection Agency effort, was completed in 1985. A Field Guide for Response Techniques for Chemicals that Float is currently being prepared under contract and will be completed early in 1987. Work on a Field Guide for Chemicals that Mix in Water will begin late this year and will be completed in 1988. We are also compiling a Field Guide on the Selection and Use of Chemical Protective Clothing with a preliminary version being completed this year, and a comprehensive version planned for 1988.

Work on a feasibility study for the Second Generation Personal Monitor, capable of identifying and quantifying 100 chemicals, is proceeding at Argonne National Labs. We are currently focusing on the advanced sensor designs and identification algorithms that will be required for the device. We will proceed with development of a prototype following our evaluation of the First Generation (25 chemical) prototype which will be completed this year.

SHIPBOARD SENSOR SYSTEM

Mr. COUGHLIN. You are requesting $1 million for the development of a shipboard sensor system.

You previously indicated that this was a 2-year program involving the purchase and testing of a single prototype. Is that still your plan and what is the status of this project?

Admiral GRACEY. The contract has gone out this year; it's possible that we will "de-sophisticate" this one and go back into it with just an infrared kind of an operation. But we haven't decided that yet.

OCEAN SURVEILLANCE

Mr. COUGHLIN. On page 160, you are requesting $200,000 to initiate a new research program involving remotely piloted ocean surveillance vehicles. What will this program involve? Is it a development program or a test program?

Admiral GRACEY. Again, it's one of those "somebody has an idea, let's try it out and see how it works" things. That's what research and development is all about.

We've seen a film of one of these in operation. It, in essence, is a model airplane that carries a camera. It flies around, operated from the deck of a ship. The idea is to see if we can build one big enough to carry the kind of payload we want, and with the kind of range we want.

What we are ultimately looking at is whether we can extend the eyes and ears of an operating vessel with one of these, instead of operating a major helicopter. They're not substitutes—but to the extent that you could substitute it, you could save an awful lot of money and you would get an awful lot of information that the vessel could use.

Mr. COUGHLIN. What's the total estimated cost and completion date of this?

Admiral GRACEY. We'll have to provide that for the record.

[The information follows:]

Current plans for the Remotely Piloted Vehicle program show an estimated total cost of $1,250,000, with hand-off to the Coast Guard program manager by February, 1989.

PERSONNEL SUPPORT PROGRAM RESEARCH

Mr. COUGHLIN. On page 161, you're requesting $200,000 for a new program involving research support for the personnel support program. What is the nature of the Department of Defense's program in this area?

Admiral GRACEY. They looked at what they call work force models. We would call it a force structure, what kind of force structure should we have to do our job.

They're looking at automation for recruiting offices, and that's how we will apply it, and also for military pay, budget forecasting. That's a tough one, and it goes back to the military work force model.

Mr. COUGHLIN. Don't you already have work force productivity measures, work force planning models and recruiting tools which you indicate are the objectives of this research?

Admiral GRACEY. We have some, sir. It's a case of whether they are good enough and if they can get what we need. In military pay and budget forecasting, we're giving it the best guess we can. Work force models depend on what happens in a given area, and what happens as the world changes. We're doing it piecemeal now. This is all designed to try to get a better handle on managing the military force.

COMMAND AND CONTROL SYSTEMS RESEARCH

Mr. COUGHLIN. On page 162 you're requesting $2 million, nearly a 100 percent increase, for command and control systems research. What's the reason for this large increase?

Admiral GRACEY. We are into a new phase of the project. Before we were setting up models. Now we want to go into a prototype.

R&D BUOY TENDER REPLACEMENT

Mr. COUGHLIN. On page 163 we have already discussed your buoy tender replacement. Would you indicate for the record the total estimated cost of this RDT&E effort?

[The information follows:]

The total RDT&E funding for the WLB/WLM Buoytender Capability Replacement efforts is $500,000. This amount will cover requirements through FY 1987. AC&I funds will be requested for FY 1988.

R&D PATROL BOAT REPLACEMENT PROGRAM

Mr. COUGHLIN. We have also talked about your patrol boat replacement program. Is fiscal year 1987 the final year RDT&E funding will be requested for this program?

[The information follows:]

FY 1987 is the final year RDT&E funding will be requested for the patrol boat capability replacement program.

SWATH/SES EVALUATIONS

Mr. COUGHLIN. On page 165, what did your evaluations of SWATH (small waterplane area twin hull) and SES's (surface effect ships) indicate?

Admiral GRACEY. Our evaluation of SWATH was based on looking at other people's SWATH's, because we never did build ours. We found it is a very stable platform and it's got considerable potential for a lot of Coast Guard missions.

I'm convinced that some day in the future it's going to be the Coast Guard vessel.

Mr. LEHMAN. Isn't the SES similar to a hydrofoil?

Admiral GRACEY. No, sir. The SES is an air cushion vessel that operates on a bubble of air, whereas the hydrofoils have fins that lift the vessel itself out of the water.

The SES, surface effect ship, has blowers that create a bubble of air that lifts it up over the surface. But it is still riding on the surface.

The SWATH, on the other hand, is like a catamaran, only the two hulls are submerged below the surface about eight feet so the flotation part of the hull is actually running below the level of the wave action. And it makes a very stable platform.

It has some problems in terms of where you can use it, and so forth. We are looking at a small SWATH as part of our mix. That would be what we call a heavy weather slugger.

VESSEL MIX

Mr. COUGHLIN. Last year it was indicated that your advanced marine vehicles research was intended to assist you in determining your appropriate vessel mix for the future. What have you concluded—to what extent can SWATH ships and SES's be substituted for some of your existing vessels?

[The information follows:]

The initial iteraction of the Candidate WPB Craft Study indicated that Advanced Marine Vehicles have the potential to comprise approximately twenty-five percent of our patrol boat fleet. The Coast Guard is preparing a solicitation package to obtain private sector solutions to our Advanced Marine Vehicle requirements. We hope to award this contract in FY 87.

SELECT PROJECT RESEARCH AND DEVELOPMENT

Mr. COUGHLIN. You are requesting $600,000 for select project research and development. Would you indicate for the record how much of your $761,000 fiscal year 1986 appropriation has been obligated and for what purpose?

[The information follows:]

To date, we have applied $555,000 of the $761,000. The following projects have been funded:

Evaluation of Coast Guard Operational Clothing;

Investigation of Alternatives to Chromate Corrosion Inhibitors for Internal Combustion Engine Cooling Systems;

Development of a Military Pay Model;

Development of a High Frequency Digital Selective Calling Operational Implementation Plan;

Testing to Establish "Pass/Fail" Criteria for the New International Maritime Organization Spread of Flame Apparatus;

Testing of Flame Arresting Devices;

Evaluation of Hose Ports in Fire Doors;
Investigation of Alternatives for Automatic Chart Digitization;
Evaluation of the Effects of Cleaning Agents on Oil/Water Separators;
Analysis of New Data for Coast Guard Maneuvering Simulator Model;
Participation in Hawaiian Ocean Current Studies in Support of Computer Assisted Search Planning Database Development;
Construct a Work Force Task Inventory to Support Personnel Management Policy Development;
Participate in Navy SONAR Studies in Support of Coast Guard Waterside Security System Development;
Investigate Technologies for Automated Shipboard Document Storage and Retrieval;
Develop Automated Computation for Aids to Navigation System Design;
Evaluate Use of Aireye for Monitoring Buoy Position;
Adapt DoD BIODATA Questionnaire to Coast Guard Personnel Selection Screening;
Evaluate Technology for Automating Voice Broadcasts;
Study of Remotely Piloted Vehicles for Coast Guard Application;
Development of HH-65 Helicopter Data Link Radio Interface Unit; and
Support for the National Academy of Sciences, Marine Board.

PERSONNEL/RELATED COSTS REDUCTIONS

Mr. COUGHLIN. You are proposing a $713,000 reduction for personnel and related costs. Does this represent a reduction in the number of RDT&E personnel?

If not, what is the basis for this reduction?

Admiral GRACEY. Yes. It's a reduction of 6 military and 6 civilian.

GROTON FACILITY PROJECTS

Mr. COUGHLIN. Would you update the listing of major research projects being conducted at your Groton facility?

[The information follows:]

The major research projects being conducted at the Coast Guard Research and Development Center, Groton, CT in FY 1986 are:
Improvement of Probability of Detection in Search and Rescue.
LORAN-C Signal Analysis.
Global Positioning System of Civil Marine Radionavigation.
Aids to Navigation Signal Effectiveness.
Laboratory Support for other Offices (e.g., photometric measurements).
Marine Fire and Safety Research.
Recreational Boating Safety—Safe Powering.
Arctic Pollution Response.
Hazardous Chemical Analysis for Pollution Response/Law Enforcement.
Hazardous Chemical Personnel Protection.
Ocean Dumping Surveillance System.
Advanced Marine Vehicles Cutter Acquisition Support, Testing and Evaluation.
Command and Control Source Data Acquisition.
Energy Management for Remotely Sited Lighthouses.

GROTON FACILITY OPERATING COSTS

Mr. COUGHLIN. Would you also provide for the record the annual operating costs for your Groton facility and your fire and safety test detachment?

[The information follows:]

Annual operation costs (1986 estimate)

Coast Guard Research and Development Center (Groton Facility):	
Operations (lease, utilities, etc.)	$899,000

Personnel	4,610,000
Total	5,509,000
Fire and Safety Test Detachment:	
Operations (lease, utilities, etc.)	174,000
Personnel	220,000
Total	394,000

SUPPORT COSTS

Mr. COUGHLIN. On page 168, why are your support costs increasing by $1 million, or about 67 percent?

Admiral GRACEY. Because the costs of our lease have gone up at the Research and Development Center and other places. We also have a new information system that has to be supported.

Mr. COUGHLIN. Your lease has gone up 67 percent?

Admiral GRACEY. No, sir. There's a new management information system that's built in there. Those are the key items. I could give you a breakdown of the cause for the record if you like.

[The information follows:]

Our support costs are mostly lease costs and personnel expenses. Our expenses in this category over the last few years have exceeded budget estimates. We have funded these requirements by internal reallocation of funds, including recoveries from completed prior-year projects. Also, we do not request pay supplementals for this account during the fiscal year. Our FY 1987 request normally acknowledges these changed conditions and realigns funding to support them. While this accounts for the majority of the $1,000,000 increase, $300,000 of it will provide for a new Management Information System to increase productivity as part of the Federal Productivity Improvement Program.

BOARDS AND COMMITTEES

Mr. COUGHLIN. Would you indicate for the record the boards and committees you help to support?

[The information follows:]

The boards and committees that the Coast Guard Office of Research and Development helps to support are the National Academy of Sciences Marine Board and the Ship Structures Committee.

TRACKING OIL SPILLS

Mr. LEHMAN. How are you doing on your finger printing of oil spills?

Admiral GRACEY. Indeed we do, Mr. Chairman. That's gotten down to almost a routine at this point. When there's a mystery spill, as we call it, we check the oil. As a matter of fact, we often do it on any spill just so that nobody can get into court and say it wasn't their oil.

But we do check it out routinely, and it's working very well. We get convictions regularly.

We recently had a big spill off the California coast between Monterey and San Francisco, and we identified the oil and tracked down the vessel that caused the spill.

Mr. LEHMAN. If you can identify an oil spill down in South Florida, we could have a little press conference with your people down there.

Admiral STABILE. Mr. Chairman, I should tell you. It's too bad I didn't know that when I last visited down there. I was taken for a ride in an HU-25 with an AIREYE, because I wanted to see it myself, and we flew over toward Bimini, and we nailed a cruise ship pumping their bilges and dumping oil.

Mr. LEHMAN. It will happen again. Let me know next time.

POLLUTION FUND RECEIVABLES AND COLLECTABLES

Mr. COUGHLIN. No funds are requested for your pollution fund authorized by section 311 of the Federal Water Pollution Control Act.

Would you update for the record the information on receivables and collectables which was included on page 1003 of last year's hearing record?

[The information follows:]

It was not necessary to request additional funding because receipts from past pollution offenders have exceeded the costs of current clean-up activities. In FY 1985 receipts were $7,390,000 while accrued expenditures were $4,447,000 for a net fund balance increase of $2,943,000. The estimated receipts for FY 1986 are $7,000,000.

POLLUTION FUND RECEIVABLES AND COLLECTABLES

Date	Collectables	Allowance uncollectables	Receivables	Change in receivables
Sept. 30, 1985	$9,530,604	$13,179,413	$22,710,017	−$11,525,846
Dec. 31, 1985	9,763,712	13,179,413	22,943,125	+233,108

POLLUTION FUND RECEIPTS AND OBLIGATIONS

Mr. COUGHLIN. Would you also provide your receipts and obligations to date during fiscal year 1986 under this fund?

[The information follows:]

The FY 1986 Receipts and Obligations as of 1/31/86 are provided as follows:

Fiscal year 1986:	
Receipts	$1,190,656
Obligations	3,798,666

OFFSHORE OIL POLLUTION COMPENSATION FUND

Mr. COUGHLIN. You are requesting an appropriation of $1 million for your offshore oil pollution compensation fund. Have you had to clean up any outer continental shelf spills to date?

Captain WILLIAMS. No, sir, we have not.

Mr. COUGHLIN. What's the $1 million for, then?

Captain WILLIAMS. It's obligation authority. The year end balance of the fund is predicted to be about eighty nine million dollars.

DEEP WATER PORT LIABILITY FUND

Mr. COUGHLIN. Your third pollution fund is the deep water port liability fund. Have you obligated any money for oil clean up costs under this fund?

Admiral GRACEY. There haven't been any claims under that one since 1974.

Mr. COUGHLIN. That's a pretty good record.

Admiral GRACEY. Yes, sir.

DEEPWATER PORTS CLEAN UP FUNDING

Mr. COUGHLIN. On page 188, you indicate the two cents per barrel fee against oil delivered at deep water ports has been suspended.

Is there sufficient balance in this fund to meet any potential clean up costs?

Admiral GRACEY. Well, of course we can't predict what a given spill might be. But as I remember in legislation there is a ceiling. When you get a certain amount of money in the fund, that's when collection stops. And then if you have a spill and you work on down, you start collecting the two cents again until you fill up the fund. But there's been no claim on that one either since 1974.

BOAT SAFETY

Mr. COUGHLIN. You are requesting $15 million for your boat safety program. What is the basis for this request, and what impact do you feel the $15 million reduction from fiscal year 1986 will have on boat safety?

Admiral GRACEY. The $15 million reduction meaning the $15 million that was reduced from the funds allocated to the states? Is that what you mean by that?

Mr. COUGHLIN. Yes, the state grant programs.

Admiral GRACEY. Well, I commented on that earlier. All other things being equal, we would love to see the States get the full amount of money. However, all other things are not equal, and it was a question of where that extra $15 million could be put to the best use. The conclusion was that the average boater will receive more safety benefit from the Coast Guard having that money devoted to its overall program than he will through the State programs the way things are going and set up right now.

PERFORMANCE MEASURES

Mr. COUGHLIN. In the past we've discussed the need for establishing some performance measures to enable you to make a recommendation to Congress regarding the extension of the authorization for this program in 1988.

Have you developed any performance data to measure the effectiveness of the program?

Admiral GRACEY. We keep pointing with pride to the fact that the fatality rate is down to 6.8 this year—that's per hundred thousand boats. Despite the increasing population of boats, it's down to 6.8. When we started it was something in the order of 20, or over 20, deaths per hundred thousand boats per year.

When we go to the states, we ask them to give us a program description, and we tell them we're going to be coming back for more information. They're all working on ways to develop these kinds of measures, too.

But we don't know of any way that is more definitive than the fatality rate.

STATE GRANTS USES

Mr. COUGHLIN. The conference report on the continuing resolution also indicated that we intended to review the uses made of these funds by the states. For what purposes are the states spending this money, and to what extent do these expenditures reduce boating accidents?

Admiral GRACEY. They're mostly spending it on law enforcement personnel to enforce the safety laws. But they're also expanding their boating education programs, and in the spirit of user fees, they're also spending it to pay their own way to come to our training programs nowadays.

But mostly it's going for enforcement and to buy equipment they can use in the enforcement process and the education program.

Mr. COUGHLIN. Under your proposed bill language, these funds would not be available for the improvement of recreational boating facilities. Since funds are still authorized for this purpose, why are you proposing this restriction?

Captain WILLIAMS. The Congress, in their report last year to the Appropriations Act, directed that these funds be made available. I emphasize the fact that these funds were available to do work on public access sites, already.

But we didn't believe they indicated they wanted to remove the restriction. In fact they said clearly that the restriction should remain just to emphasize that the public access sites qualified for funding.

The purpose of the fund, as we see it, is to emphasize training and enforcement, not the building of facilities. That's why we left the restriction in there.

Mr. COUGHLIN. Last year it was indicated that while all States were eligible to participate, Alaska had not applied for participation. Is this still the situation?

Admiral GRACEY. That's the way it is, yes sir.

FUNDS TRANSFER TO OPERATING EXPENSES

Mr. COUGHLIN. You indicate that legislation will be proposed to transfer an additional $15 million from this account to operating expenses. With the total balance available for appropriation in the Aquatic Resource Trust Fund of $346.4 million, why aren't you proposing that a larger share of this trust fund be used to support Coast Guard operating expenses?

Admiral GRACEY. The law is set up in a way that says the first $45 million collected goes to the boating safety account. The next million dollars goes to the Land and Water Conservation Fund, and after that it goes to the Sport Fish Restoration account.

A change in distribution would require a change in law.

Mr. COUGHLIN. If you could elaborate on that for the record, if you would, we would appreciate it.

[The information follows:]

The Boat Safety Account provides financial assistance for a coordinated national Recreational Boating Safety Program for the States and the Coast Guard. Section

13106 of Title 46, U.S. Code, authorizes the Secretary to allocate and distribute matching funds to assist in the development, administration, and financing of qualifying State programs. A portion of the funds is used by the States to teach boating safety and help enforce boating laws. The balance is used by the Coast Guard to help defray expenses for operations related directly to recreational boating safety, including services provided by the Coast Guard Auxiliary.

The Highway Trust Fund is funded by revenues derived by authority of 26 U.S.C. 9503 and 9602(b). The Boat Safety Account consists of amounts transferred into it (via the Aquatic Resources Trust Fund) from the Highway Trust Fund equivalent to the motorboat fuel tax receipts (9 cents per gallon, collected under the provisions of, and as defined in, 26 U.S.C. 4041(a)(2) and 4081, but not to exceed $45 million per year, or $45 million total at any time. Any motorboat fuel tax receipts in excess of $45 million are transferred to the Land and Water Conservation Fund and the Sport Fish and Restoration Account (the other subaccount of the Aquatic Resources Trust Fund), which are managed by the Department of the Interior.

Mr. COUGHLIN. Mr. Chairman, that concludes the justification questions.

Mr. LEHMAN. Thank you very much, Mr. Coughlin.

Admiral, I want to thank you and your staff for sticking with us through two days of hearings.

Since this is your last scheduled hearing before this Committee, I want to recognize the distinguished career you have had in the Coast Guard. I know the other members of the Committee feel the same way I do, and I would like to reiterate the comments of my colleagues about the quality and dedication of yourself and the personnel of your Service, especially those on the front line, the ones that operate your life boats, patrol boats, aircraft and helicopters.

As you know in these uncertain times in which we are operating, we cannot assure you that the Congress and the Administration will reach an ideal solution to our fiscal dilemma—although we will try to produce an equitable one. But I certainly wish you would convey to your personnel that their work is recognized and appreciated by the Congress and the American public.

It was a privilege to chair this committee while you were the Commandant, and I just wish you God speed, and lots of health and happinesss.

Admiral GRACEY. Thank you very much, sir. I'll accept that on behalf of myself and Admiral Stabile, who is also retiring this year, and all the folks who worked so hard on trying to help us so we could have a good hearing and have a good communication on the program.

We talked a little bit about privatization, and I've written a paper that will be published soon that's called "On Babies and Bathwater". It suggests that the whole process is very much in order, but let's be careful how we pour out that bath water, because there's a baby in there somewhere, and I would only say to you don't forget your baby, sir.

Mr. LEHMAN. I'll remember that for the next hearing.

Mr. COUGHLIN. I want to join the Chairman in wishing you well, Admiral, and would like to just say that I have never met a member of the Coast Guard yet who didn't conduct themselves in a thoroughly professional manner, and that goes from the top to the bottom, and I'm proud of your service.

Admiral GRACEY. Thank you very much, sir I appreciate that.

Mr. LEHMAN. Thank you.

TUESDAY, MARCH 18, 1986.

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

WITNESSES

CHARLES HAUSER, CHAIRPERSON, ATBCB
DAVID WELCH, EXECUTIVE ASSISTANT TO THE CHAIRPERSON
MARGARET MILNER, EXECUTIVE DIRECTOR, ATBCB
DENNIS CANNON, ACTING DIRECTOR, OFFICE OF TECHNICAL SERVICES
FRANK BOWE, ACTING DIRECTOR OF RESEARCH
DEBRA FISCHER, ACTING GENERAL COUNSEL, AND ACTING DIRECTOR, OFFICE OF COMPLIANCE AND ENFORCEMENT
JUDITH SATINE, PROGRAM ANALYST

Mr. SABO [presiding]. The Subcommittee will come to order.

Chairman Lehman offers his apologies. He had a conflict and could not be here this morning.

This morning we will receive testimony on the fiscal year 1987 budget request for the Architectural and Transportation Barriers Compliance Board.

Our principal witness today is the Chairperson, Mr. Charles Hauser.

We will be pleased to hear your statement at this point. You may read it, or if you would prefer to summarize it, we will insert your entire statement in the record, along with your biography, as you are new in your role as the Chair of the Board. We would be pleased to hear what comments you might have before we start the questions.

CHAIRPERSON'S OPENING STATEMENT

Mr. HAUSER. Thank you, Mr. Chairman. I am pleased to be here today to have an opportunity to meet with you and the Members of the Subcommittee to discuss the fiscal year 1987 budget request.

Before I begin, I would like to introduce our Executive Director, Margaret Milner, to my left, and my Executive Assistant, David Welch, to my right.

The Administration is requesting $1,975,000 in fiscal year 1987. This is the same level as the 1986 appropriation level, and an increase of $85,000 from the 1986 level, after sequestration. This request reflects my personal commitment, and that of the Board as a whole, to the policies and goals supported by this Administration to create a more accessible environment which can be used by all persons.

Before reviewing the specific budget request for fiscal year 1987, I would like to highlight some of the Board's recent major accomplishments and note three of particular interest.

BOARD'S MAJOR ACCOMPLISHMENTS

First, an increased commitment to the research focused on completing the minimum guidelines.

Second, cooperative projects with other agencies that enhance our research efforts.

And third, the initiation of two pilot projects demonstrating actual usage of telecommunications devices for deaf persons.

RESEARCH

During fiscal year 1985, and in the current fiscal year, the Board has made significant progress in its research efforts to complete those sections of the Board's minimum guidelines which had been reserved or identified as needing additional information.

Reflecting its awareness of the importance of research in this effort and the concern expressed by the Senate committee in July of 1985, the Board established the position of Director of Research and increased its research allocations for last year, the current year, and future years. In fiscal year 1985, the Board completed two major research projects, signage and detectable tactile surface treatments. We are now in the process of developing rules and anticipate publication in 1987.

In addition, the Board initiated research projects on alarms and information systems, as well as a project on recreation accessibility.

I am pleased to report that the Board has made significant progress in improving air travel for disabled persons. In this regard, the Board participated with the Department of Transportation as a member of the National Transportation Facilitation Committee, and as co-chair of the subgroup that focuses on the needs of air travelers with physical limitations.

BOARDING CHAIRS

With respect to the boarding chair issue, the Board awarded a contract in September to produce a technical manual addressing chair design and use, and to produce possible advisory standards that could be used for chair design.

At our meeting last week, the Board approved publication of the proposed advisory standard for public comment. In addition, the Board prepared a request for proposal (RFP) to develop a technical manual on the stowage of wheelchairs and other mobility aids on aircraft.

And we have signed an interagency agreement with UMTA to produce technical papers for the Board on bus wheelchair lifts and securement. Both areas are in need of safety standards and evaluation criteria. Progress has also been made in enhancing communications through interagency agreements.

COMMUNICATIONS ACCESS

The first, with DOT, will conduct a pilot program at the Baltimore and Miami International Airports, aimed at improving telecommunication services for deaf, hearing impaired, and speech-impaired travelers.

The second, a pilot program with the U. S. Department of Treasury, will establish a TDD relay system within the Federal government to allow TDD users to communicate with their Federal offices and programs.

During the past year, the Board continued its research on hand anthropometrics. This project will be completed later this spring and will be applied to those sections of the guidelines addressing controls and operating mechanisms.

During fiscal year 1985, the Board conducted an active technical services program. This included responding to numerous requests from the public and private sector on accessibility related issues; assisting Federal agencies to evaluate their accessibility policies and to implement their own regulations.

At the request of the Department of Education, we developed recommendations for providing accessibility for handicapped children in elementary schools. In addition, the Board coordinated the joint publication of two major technical assistance documents to enhance communications accessibility within the Federal government.

This includes a directory listing TDD numbers currently within use in the Federal government, and a TDD brochure explaining TDD characteristics and usage, which has been widely distributed to Federal agencies and other interested groups.

The Board has coordinated with the four standard-setting agencies the development of a reprint edition of the Uniform Federal Accessibility Standards, UFAS, and participated as a member of the committee reviewing the 1980 ANSI accessibility specification.

COMPLIANCE ACTIVITIES

The Board continued to fulfill its responsibilities to ensure compliance with the Architectural Barriers Act of 1968. In fiscal year 1985 the Board received 249 complaints, a 6.5 percent increase over fiscal year 1984.

All of these complaints under our jurisdiction were resolved in a voluntary manner. The Board will continue in the current year to process complaints in a timely fashion and emphasize voluntary resolutions.

FISCAL YEAR 1987 ACTIVITIES

For fiscal year 1987, the Board has planned an active agenda to continue its efforts to eliminate architectural barriers to disabled persons.

In the research area, the Board has targeted five critical areas for action: signage and information systems; controls and operating mechanisms; doors; recreational facilities and alarms. Each of these projects continues our efforts to complete the reserved sections of the minimum guidelines and requirements, or to update those sections needing additional information.

The Board will continue to seek opportunities to cooperate with other agencies in the research area, including serving on the Interagency Coordinating Committee on Handicapped Research.

The Board in fiscal year 1987 will continue to provide timely technical assistance, particularly with respect to the requirements of the Uniform Federal Accessibility Standards.

With respect to its compliance and enforcement responsibilities, the Board plans to continue to process complaints quickly, with a strong emphasis on voluntary actions.

I believe that this record, and the plans for the future, demonstrate the Board's longstanding commitment to the goals that we share with this Committee.

We have emphasized our research and our plans for continuing work on the minimum guidelines. Six areas are targeted for possible future rulemaking.

These include signage, detectable surface treatments, hand anthropometrics, doors, recreation, and visual signals.

Our fiscal year 1987 budget request will enable us to progress toward accomplishing these goals. Mr. Chairman, this budget has been prepared with serious consideration of the serious financial problems facing this country.

We have made a concerted effort to control and minimize expenditures while ensuring compliance with our Congressional mandate by deploying Board resources as efficiently as possible.

In so doing, we have significantly reduced administrative costs. This has permitted us to direct a greater portion of the Board's resources into the research effort, thus enabling us to comply with Congressional directives.

I am pleased that in this climate of financial belt-tightening, that the President has placed the Board in a high enough priority in his 1987 budget to increase the Board's funding level to the 1986 presequester amount, and has provided us with a planning ceiling that maintains a higher level of funding through the out-years. It is my hope that Congress will approve this higher funding level and the President's budget, in its entirety, thus avoiding future sequester orders that could impede the progress of the Board in moving towards a barrier-free America.

Thank you. I will be glad to answer any questions the Committee may have.

In the interest of time, and with your consent, I will ask my assistant, Mr. Welch, a former Board member who is now a member of the staff, to respond to your questions in that he shares my knowledge of Board policy, and is more aware of day-to-day activities.

[The prepared statement follows:]

CHARLES R. HAUSER

CHARLES R. HAUSER, principal in the Atlanta design firm of Hauser and Associates, has chaired the Architectural and Transportation Barriers Compliance Board (Board) since March 13, 1985, when he was elected to complete the unexpired term of Public Member Mary Alice Ford, of Portland, Oregon. Hauser was reelected to a full term as Chairperson on May 13, 1985.

Hauser, an Atlanta resident, was first appointed to the Board on March 31, 1982, and was elected to the Executive Committee in November of the same year. He served as Chairperson of that committee for two years before being elected Chairperson of the Board. Mr. Hauser was reappointed by the President to a second three-year term on February 19, 1985. He also serves as a member of the Standards, Research and Technical Assistance Committee and the Communications and Attitudinal Barriers Committee.

TESTIMONY

OF

CHARLES HAUSER
CHAIRPERSON
ARCHITECTURAL AND TRANSPORTATION BARRIERS
BARRIERS COMPLIANCE BOARD

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION

OF THE

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

MARCH 18, 1986

MR. CHAIRMAN, I AM PLEASED TO HAVE THE OPPORTUNITY TO MEET WITH YOU AND MEMBERS OF THIS SUBCOMMITTEE TO DISCUSS THE BOARD'S FISCAL YEAR 1987 BUDGET REQUEST. THIS REQUEST REFLECTS MY PERSONAL COMMITMENT AND THE COMMITMENT OF THE BOARD AS A WHOLE TO THE POLICIES AND GOALS SUPPORTED BY THIS ADMINISTRATION TO CREATE A MORE ACCESSIBLE ENVIRONMENT WHICH CAN BE USED BY ALL PERSONS. BEFORE REVIEWING THE SPECIFIC BUDGET REQUEST FOR FY 1987, I WOULD LIKE TO HIGHLIGHT SOME OF THE BOARD'S RECENT MAJOR ACCOMPLISHMENTS AND DESCRIBE AREAS EMPHASIZED IN OUR WORK FOR THE CURRENT YEAR. THIS WORK HAS BEEN NOTEWORTHY FOR THREE PARTICULAR ACHIEVEMENTS: AN INCREASED COMMITMENT TO RESEARCH WITH A SHARP FOCUS ON PROJECTS THAT WILL DIRECTLY CONTRIBUTE TO COMPLETING THE MINIMUM GUIDELINES AND REQUIREMENTS; AN EMPHASIS ON COOPERATIVE PROJECTS WITH OTHER FEDERAL AGENCIES WHICH WILL ENHANCE OUR RESEARCH PROGRAM; AND THE INITIATION OF PILOT PROJECTS THAT DEMONSTRATE ACTUAL USAGE OF TELECOMMUNICATIONS DEVICES FOR DEAF PERSONS (TDDs).

ACCOMPLISHMENTS AND AREAS OF EMPHASIS

RESEARCH

DURING FY 1985 AND IN THE CURRENT FISCAL YEAR, THE BOARD MADE SIGNIFICANT PROGRESS IN ITS RESEARCH EFFORTS TO COMPLETE THOSE SECTIONS OF THE BOARD'S MINIMUM GUIDELINES AND REQUIREMENTS WHICH HAD BEEN RESERVED OR IDENTIFIED AS NEEDING ADDITIONAL INFORMATION.

REFLECTING ITS AWARENESS OF THE IMPORTANCE OF RESEARCH IN THIS EFFORT AND THE CONCERN EXPRESSED BY THE SENATE COMMITTEE, IN JULY OF 1985 THE BOARD ESTABLISHED THE POSITION OF DIRECTOR OF RESEARCH AND INCREASED ITS RESEARCH ALLOCATIONS FOR LAST YEAR, THE CURRENT YEAR AND FUTURE YEARS. BOTH OF THESE MEASURES DEMONSTRATE RECOGNITION BY THE BOARD THAT COMPLETING THE GUIDELINES IS A TOP PRIORITY.

IN FY 1985, THE BOARD COMPLETED TWO OF ITS MAJOR RESEARCH PROJECTS THAT WERE UNDERTAKEN AT THE END OF FY 1983 -- SIGNAGE AND DETECTABLE TACTILE SURFACE TREATMENTS. THE FINDINGS HAVE BEEN CIRCULATED FOR REVIEW AND COMMENT, AND AT ITS MEETING ON MARCH 10 THROUGH 12, THE BOARD BEGAN CONSIDERATION OF SPECIFIC RECOMMENDATIONS FOR THE MINIMUM GUIDELINES AND REQUIREMENTS. RULEMAKING IS SCHEDULED TO BEGIN THIS YEAR WITH FINAL REVISIONS ANTICIPATED TO BE ADOPTED IN 1987.

IN ADDITION, THE BOARD INITIATED TWO OTHER RESEARCH PROJECTS DIRECTED TOWARD REFINING OR ENLARGING THE MINIMUM GUIDELINES. THE FIRST, ON ALARMS, WILL DOCUMENT AND EVALUATE EXISTING ALARM SYSTEMS AND EMERGENCY PROCEDURES USED TO ALERT AND EVACUATE HANDICAPPED PERSONS FROM BUILDINGS AND FACILITIES.

THE SECOND, INFORMATION SYSTEMS, WILL BE USED TO DEVELOP TECHNICAL AND USAGE REQUIREMENTS FOR AUDITORY AND VISUAL INFORMATION SYSTEMS, INCLUDING SIGNAGE AND AUDITORY PUBLIC ADDRESS SYSTEMS.

IN EFFORTS TO EXPAND ACCESS TO RECREATION OPPORTUNITIES FOR DISABLED PERSONS, THE BOARD, IN FY 1985, INITIATED A RECREATION ACCESSIBILITY PROJECT. THIS PROJECT INCLUDED THE CREATION OF A TWELVE MEMBER FEDERAL WORKING GROUP TO ASSESS PROGRESS AND MAKE FURTHER RECOMMENDATIONS FOR ACHIEVING ACCESSIBILITY FOR DISABLED PERSONS IN PARKS AND RECREATION FACILITIES. ALSO PART OF THE PROJECT IS THE DEVELOPMENT OF A TECHNICAL ASSISTANCE PAPER WITH ADVICE AND ASSISTANCE FROM THE WORKING GROUP. I MIGHT ALSO ADD THAT THIS WORKING GROUP, WHICH INCLUDES REPRESENTATIVES FROM THE DEPARTMENTS OF AGRICULTURE, DEFENSE, EDUCATION, HEALTH AND HUMAN SERVICES, INTERIOR, JUSTICE, TRANSPORTATION, AND THE SMITHSONIAN INSTITUTION, IS BELIEVED TO BE THE FIRST OF ITS KIND FOR THE FEDERAL GOVERNMENT.

THE TECHNICAL PAPER, NOW UNDER DEVELOPMENT, WILL SUMMARIZE THE FINDINGS OF THE WORKING GROUP, PROVIDE A LITERATURE REVIEW, EXAMINE MODEL RECREATIONAL FACILITIES AND MAKE RECOMMENDATIONS FOR ACTIONS TO IMPROVE ACCESS. THIS PAPER IS SCHEDULED FOR COMPLETION IN LATE FY 1986.

I AM PLEASED TO REPORT THAT THE BOARD HAS MADE SIGNIFICANT PROGRESS IN AN AREA OF PARTICULAR CONCERN TO CONGRESS, THAT OF IMPROVING AIR TRAVEL FOR DISABLED PERSONS. IN THIS REGARD, THE BOARD PARTICIPATED WITH THE DEPARTMENT OF TRANSPORTATION AS A MEMBER OF THE NATIONAL TRANSPORTATION FACILITATION COMMITTEE AND AS CO-CHAIR OF THE SUBGROUP THAT FOCUSES ON THE NEEDS OF AIR TRAVELERS WITH PHYSICAL LIMITATIONS.

THIS SUBGROUP WAS CREATED BY THE DEPARTMENT OF TRANSPORTATION AND THE BOARD TO ENHANCE PRIVATE SECTOR COOPERATION IN SOLVING TRANSPORTATION ISSUES. THE FIRST MEETING, HELD AT THE BALTIMORE WASHINGTON AIRPORT, INCLUDED REPRESENTATIVES FROM BOTH THE FEDERAL AND PRIVATE SECTORS. THE SUBGROUP IDENTIFIED PROBLEMS DISABLED PERSONS ENCOUNTER USING AIRCRAFT BOARDING CHAIRS AND DIFFICULTIES HEARING IMPAIRED TRAVELERS HAVE DUE TO LACK OF ACCESS TO TELECOMMUNICATION DEVICES FOR DEAF PERSONS (TDDS) IN AIRPORTS. SIMILAR MEETINGS WILL CONTINUE THROUGH FY 1986 TO REVIEW THE MATERIALS PRODUCED UNDER THE VARIOUS BOARD CONTRACTS.

WITH RESPECT TO THE BOARDING CHAIR ISSUE, RESPONSES RECEIVED FROM THE BOARD'S FY 1984 INVITATION TO COMMENT INDICATED THAT SOME SAFETY PROBLEMS MAY EXIST WITH CHAIR DESIGN AND PERSONNEL TRAINING. TO ADDRESS THIS CONCERN, THE BOARD AWARDED A CONTRACT IN SEPTEMBER TO PRODUCE A TECHNICAL MANUAL ADDRESSING CHAIR DESIGN AND USE AND TO ADVISE THE BOARD ON POSSIBLE ADVISORY STANDARDS THAT COULD BE USED FOR CHAIR DESIGN. LAST WEEK, THE

BOARD APPROVED PUBLICATION OF THE PROPOSED ADVISORY STANDARD FOR PUBLIC COMMENT. WHEN COMPLETED IN OCTOBER OF THIS YEAR, THIS PROJECT ALSO WILL YIELD A MANUAL ON THE USE OF BOARDING CHAIRS.

IN ADDITION, THE BOARD PREPARED A REQUEST FOR PROPOSAL TO DEVELOP A TECHNICAL MANUAL ON THE STOWAGE OF WHEELCHAIRS AND OTHER MOBILITY AIDS ON AIRCRAFT. THIS CONTRACT WILL BE AWARDED THIS SPRING.

IN ANOTHER TRANSPORTATION AREA, THE BOARD IS NEGOTIATING AN INTERAGENCY AGREEMENT WITH THE URBAN MASS TRANSPORTATION ADMINISTRATION TO PRODUCE TECHNICAL PAPERS FOR THE BOARD ON BUS WHEELCHAIR LIFTS AND SECUREMENT. BOTH AREAS ARE THE SUBJECT OF MANY TECHNICAL ASSISTANCE REQUESTS AND BOTH ARE IN NEED OF SAFETY STANDARDS AND EVALUATION CRITERIA. THESE PAPERS ARE SCHEDULED FOR COMPLETION IN FY 1986 OR 1987.

PROGRESS HAS ALSO BEEN MADE IN ENHANCING COMMUNICATIONS ACCESS. UNDER THE TERMS OF AN INTERAGENCY AGREEMENT WITH THE DEPARTMENT OF TRANSPORTATION, A PILOT PROGRAM AIMED AT IMPROVING TELECOMMUNICATION SERVICES AT AIRPORTS FOR DEAF, HEARING- AND SPEECH-IMPAIRED TRAVELERS WILL BE CONDUCTED AT THE BALTIMORE AND MIAMI INTERNATIONAL AIRPORTS. THIS PROJECT WILL ESTABLISH A MODEL TDD PROGRAM, DEMONSTRATE OPTIMAL PLACEMENT AND APPROPRIATE SIGNAGE, TRAIN AIRPORT AND AIRLINE PERSONNEL ON TDDS AND DEMONSTRATE WAYS TO PROTECT TDDS FROM VANDALISM. THE PROJECT IS EXPECTED TO BE COMPLETED IN SPRING 1987.

COMMUNICATIONS ACCESS IS THE SUBJECT OF ANOTHER BOARD PROJECT THIS YEAR. THE BOARD HAS EXPLORED ALTERNATIVE METHODS OF ESTABLISHING A TDD RELAY SYSTEM WITHIN THE FEDERAL GOVERNMENT TO ALLOW TDD USERS TO GAIN TELEPHONIC ACCESS TO FEDERAL OFFICES AND PROGRAMS, LEADING TO AN INTERAGENCY AGREEMENT

NOW BEING NEGOTIATED AS A PILOT PROJECT WITH THE U.S. DEPARTMENT OF TREASURY TO EXPAND ITS EXISTING SMALL RELAY SYSTEM. THIS IS SCHEDULED TO BEGIN THIS SPRING. THESE PROJECTS IMPLEMENT FINDINGS FROM THE BOARD'S TDD PROJECT, AUTHORIZED BY CONGRESS IN FY 1983.

DURING THE PAST YEAR, THE BOARD CONTINUED ITS FY 1984 RESEARCH ON HAND ANTHROPOMETRICS. THIS PROJECT, TO BE COMPLETED LATER THIS SPRING, WILL BE APPLIED TO THOSE SECTIONS OF THE GUIDELINES ADDRESSING CONTROLS AND OPERATING MECHANISMS.

IN 1985, THE BOARD CONTINUALLY INTERACTED WITH OTHER AGENCIES IN THE RESEARCH AREA. AS AN EXAMPLE, THE BOARD RESEARCHED THE INTERAGENCY REHABILITATION RESEARCH INFORMATION SYSTEM (IRRIS) DATA BASE TO IDENTIFY PROJECTS RELATED TO BOARD PRIORITIES, SUPPORTED THE NATIONAL INSTITUTE OF HANDICAPPED RESEARCH ON ITS REVIEW OF PROPOSALS, AND PARTICIPATED IN SEVERAL DEPARTMENT OF EDUCATION AND DEPARTMENT OF TRANSPORTATION SPONSORED CONFERENCES TO DISCUSS DISABILITY RESEARCH.

TECHNICAL ASSISTANCE

DURING FY 1985, THE BOARD CONDUCTED AN ACTIVE TECHNICAL SERVICES PROGRAM. THIS INCLUDED RESPONDING TO NUMEROUS REQUESTS FROM THE PUBLIC AND PRIVATE SECTOR ON ACCESSIBILITY RELATED ISSUES; ASSISTING FEDERAL AGENCIES, THROUGH COOPERATIVE EFFORTS AND INTERAGENCY AGREEMENTS, TO EVALUATE THEIR ACCESSIBILITY POLICIES AND TO IMPLEMENT THEIR OWN ACCESS REGULATIONS; AND DEVELOPING, AT THE REQUEST OF THE DEPARTMENT OF EDUCATION, RECOMMENDATIONS FOR PROVIDING ACCESSIBILITY FOR HANDICAPPED CHILDREN IN ELEMENTARY SCHOOLS.

IN ADDITION, THE BOARD COORDINATED THE JOINT PUBLICATION OF TWO MAJOR TECHNICAL ASSISTANCE DOCUMENTS TO ENHANCE COMMUNICATIONS ACCESSIBILITY WITHIN THE FEDERAL GOVERNMENT. THESE WERE A DIRECTORY LISTING TDD NUMBERS CURRENTLY IN USE WITHIN THE FEDERAL GOVERNMENT AND A TDD BROCHURE EXPLAINING TDD CHARACTERISTICS AND USAGE WHICH HAS BEEN WIDELY DISTRIBUTED TO FEDERAL AGENCIES AND OTHER INTERESTED GROUPS.

THE BOARD ALSO COORDINATED WITH THE FOUR STANDARD-SETTING AGENCIES THE DEVELOPMENT OF A REPRINT EDITION OF THE UNIFORM FEDERAL ACCESSIBILITY STANDARDS (UFAS), WHICH ARE BASED ON THE BOARD'S MINIMUM GUIDELINES AND REQUIREMENTS AND WHICH WERE ISSUED BY THE STANDARD-SETTING AGENCIES IN 1984. THIS NEW EDITION IS PRINTED IN A FORMAT THAT IS READILY USABLE BY BOTH CONSUMERS AND MEMBERS OF THE DESIGN PROFESSION, AND INCLUDES A 19-PAGE ALPHABETIZED INDEX TO FACILITATE ITS USE.

IN AN EFFORT TO STREAMLINE OPERATIONS, THE BOARD DEVELOPED IN-HOUSE TOOLS AND RESOURCES THAT ARE USED TO PROVIDE NEEDED INFORMATION MORE QUICKLY AND EFFICIENTLY. INCLUDED IS THE DEVELOPMENT OF PREPACKAGED INFORMATION MATERIALS, MADE POSSIBLE THROUGH THE USE OF THE COMPUTER FILES OF THE BOARD'S TECHNICAL RESOURCES LIBRARY.

TO ENHANCE THE CAPABILITIES OF THE BOARD'S LIBRARY, WHICH CONTAINS A COMPREHENSIVE COLLECTION OF LITERATURE ON ACCESSIBILITY ISSUES, THE BOARD DEVELOPED BIBLIOGRAPHIES AND RESOURCE LISTS; AUTOMATED THE STATE CODES AND STANDARDS FILE; AND ADDED AUTOMATIC DATA ENTRY AND RETRIEVAL CAPABILITIES. CURRENT EFFORTS ARE DIRECTED TOWARD THE DEVELOPMENT OF A USER MANUAL. ALL OF THESE MEASURES ARE DESIGNED TO PROVIDE FASTER, MORE ACCURATE AND LESS STAFF-INTENSIVE TECHNICAL ASSISTANCE.

THE BOARD ALSO PARTICIPATED AS A MEMBER OF THE ANSI A117.1-1985 COMMITTEE IN THE REVIEW PROCESS OF THE 1980 SPECIFICATION LEADING TO THE DEVELOPMENT OF THE 1985 EDITION OF THE STANDARD WHICH IS WIDELY USED IN THE PRIVATE SECTOR AND BY STATE AND LOCAL ACCESS CODES.

COMPLIANCE AND ENFORCEMENT

THE BOARD CONTINUED TO FULFILL ITS RESPONSIBILITIES TO ENSURE COMPLIANCE WITH THE ARCHITECTURAL BARRIERS ACT OF 1968 IN FY 1985, THE BOARD RECEIVED 249 COMPLAINTS--A 6.5% INCREASE OVER FY 1984. IMPROVEMENTS IN THE BOARD'S COMPLAINT PROCEDURES, INCLUDING MODIFICATIONS TO THE BOARD'S COMPUTER TRACKING SYSTEM, ENABLE THE BOARD TO HANDLE EFFICIENTLY CONSISTENT INCREASES IN THE COMPLAINTS RECEIVED.

IN 1985 THE BOARD CLOSED 195 CASES--129 FOR LACK OF JURISDICTION, 5 FOR NO VIOLATION AND 61 FOR CORRECTIVE ACTION.

COMPLAINTS RECEIVED THIS PAST YEAR REPRESENT ORGANIZATIONS AND INDIVIDUALS IN 42 STATES, THE DISTRICT OF COLUMBIA, PUERTO RICO AND THE VIRGIN ISLANDS. THE COMPLAINTS REPORTED SUCH ACCESSIBILITY PROBLEMS AS LACK OF PARKING FOR HANDICAPPED PERSONS, LACK OF RAMPS AND CURB CUTS, LACK OF TACTILE IDENTIFICATION FOR PERSONS WITH VISUAL IMPAIRMENTS AND INACCESSIBLE TRANSPORTATION VEHICLES.

ALL OF THE COMPLAINTS CLOSED IN FY 1985 WERE RESOLVED IN A VOLUNTARY MANNER. I AM PLEASED TO REPORT THAT SINCE 1982, THE BOARD HAS CONTINUED TO ACHIEVE VOLUNTARY RESOLUTION IN 100% OF THE CASES OVER WHICH IT HAS JURISDICTION AND IN WHICH A VIOLATION IS FOUND.

EXAMPLES OF VOLUNTARY CORRECTIVE ACTIONS THAT WE HAVE ACHIEVED INCLUDE: INSTALLATION OF A RAMP AT A NEW JERSEY POST OFFICE; INSTALLATION OF A CHAIR LIFT AND SIGNAGE AT A CALIFORNIA MUSEUM; MAKING A WALKWAY IN FRONT OF THE VIETNAM VETERANS MEMORIAL IN WASHINGTON, D.C., ACCESSIBLE; INSTALLATION OF AN ELEVATOR AND ACCESSIBILITY MODIFICATIONS TO RESTROOMS ON TWO FLOORS IN A MISSISSIPPI COURT HOUSE; INSTALLATION OF A RAMP AND AN ACCESSIBLE RESTROOM IN A FEDERAL COURTHOUSE IN TEXAS; INSTALLATION OF AN ELEVATOR IN A WISCONSIN FEDERAL BUILDING, AND INSTALLATION OF A RAMP AT A VIRGINIA POLLING LOCATION.

THE BOARD WILL CONTINUE IN THE CURRENT YEAR TO PROCESS COMPLAINTS AND TO EMPHASIZE VOLUNTARY RESOLUTIONS. ALTHOUGH THERE IS SOME INDICATION THAT COMPLAINTS FROM CONSUMER GROUPS ARE DECREASING IN FY 1986, AN INCREASE MAY ARISE IN THE NUMBER OF COMPLAINTS REFERRED TO THE BOARD BY OTHER FEDERAL AGENCIES. THIS IS BECAUSE THE DEPARTMENT OF JUSTICE SECTION 504 PROTOTYPE REGULATION, WHICH MOST AGENCIES ARE ADOPTING WITHOUT SUBSTANTIAL CHANGE, REQUIRES THAT THE BOARD BE NOTIFIED OF ANY COMPLAINT WHICH ALLEGES THAT A BUILDING SUBJECT TO THE BARRIERS ACT OR SECTION 502 IS NOT READILY ACCESSIBLE TO HANDICAPPED PERSONS. THE BOARD, DUE TO IMPROVEMENTS IN THE COMPLAINT PROCESSING PROCEDURES, WILL BE ABLE TO HANDLE EFFECTIVELY CONSISTENT INCREASES IN THE NUMBER OF COMPLAINTS.

FY 1987 ACTIVITIES

THE BOARD HAS PLANNED AN ACTIVE AGENDA FOR THE BUDGET YEAR TO CONTINUE ITS EFFORTS TO MINIMIZE BARRIERS TO ACCESS AND USE BY DISABLED PERSONS. TO ACHIEVE THIS, IT IS REQUESTING $1,975,000 IN FISCAL YEAR 1987--THE SAME

LEVEL AS THE FY 1986 APPROPRIATION LEVEL AND AN INCREASE OF $85,000 FROM THE 1986 LEVEL AFTER SEQUESTRATION--AND 27 FULLTIME PERMANENT EQUIVALENT POSITIONS.

RESEARCH

IN THE RESEARCH AREA, THE BOARD HAS TARGETED FIVE CRITICAL AREAS FOR ACTION: SIGNAGE AND OTHER INFORMATION SYSTEMS; CONTROLS AND OPERATING MECHANISMS; DOORS; RECREATIONAL FACILITIES; AND ALARMS. EACH OF THESE EFFORTS CONTINUES OUR FOCUS ON THE DEVELOPMENT OF THE RESERVED SECTIONS OF THE MINIMUM GUIDELINES AND REQUIREMENTS AND ON THOSE SECTIONS NEEDING ADDITIONAL INFORMATION.

DURING FY 1987, THE BOARD PLANS TO COMPLETE A STUDY ON DOORS TO OBTAIN SUFFICIENT INFORMATION TO DETERMINE APPROPRIATE CLOSING AND OPENING FORCES FOR EXTERIOR AND INTERIOR DOORS TO PERMIT USE BY DISABLED PERSONS HAVING MOBILITY OR STRENGTH LIMITATIONS. ALTHOUGH APPROVED BY THE BOARD AS A PRIORITY FOR FY 1985, THE PROJECT WAS DEFERRED PENDING RESULTS OF A RELATED PROJECT ON HOSPITAL DOORS SCHEDULED TO BE COMPLETED BY THE VETERANS ADMINISTRATION DURING FY 1986. THE BOARD STUDY WILL COMPLEMENT THAT PROJECT BY CARRYING OUT RESEARCH NOT INCLUDED IN THE VA EFFORT.

DURING FY 1987, THE FINDINGS FROM THE BOARD'S TECHNICAL PAPER ON RECREATION WILL BE IMPLEMENTED THROUGH MECHANISMS SUCH AS ISSUANCE OF HANDBOOKS OR ADVISORY STANDARDS OR DEVELOPMENT OF PROVISIONS FOR THE MINIMUM GUIDELINES.

THE BOARD WILL ALSO CONTINUE ITS WORK ON ALARMS AND ALARM SYSTEMS, LIFE SAFETY ISSUES THAT HAVE BEEN TARGETED AS A HIGH PRIORITY BY THE BOARD FOR BOTH FY 1986 AND FY 1987. THE THIRD PHASE OF THIS EFFORT, A PROJECT ON VISUAL ALARMS WHICH IS SCHEDULED FOR IMPLEMENTATION IN FY 1987, WILL DETERMINE APPROPRIATE LOCATION, FREQUENCY, COLOR, INTENSITY AND COST.

ADDITIONAL PROJECTS WHICH EXAMINE COMPLEX INTERACTIONS BETWEEN FACTORS NOW BEING EXPLORED BY THE BOARD--SUCH AS THE WAY BLIND AND LOW VISION PERSONS USE SOUND IN ADDITION TO SURFACE TEXTURE TO NAVIGATE IN POTENTIALLY DANGEROUS AREAS (FOR EXAMPLE, ON SUBWAY PLATFORMS)--MAY BE NECESSITATED.

THE BOARD WILL CONTINUE TO SEEK OPPORTUNITIES TO COOPERATE WITH OTHER AGENCIES IN THE RESEARCH AREA. THIS WILL INCLUDE THE REGULAR REVIEW OF OTHER AGENCIES' RESEARCH PRIORITIES TO AVOID DUPLICATION AND PARTICIPATION AS PEER REVIEWERS ON OTHER AGENCIES' PROPOSAL REVIEW GROUPS. THE BOARD WILL ALSO CONTINUE TO SERVE ON THE INTERAGENCY COORDINATING COMMITTEE ON HANDICAPPED RESEARCH.

TECHNICAL ASSISTANCE

THE BOARD HAS ALSO PLANNED AN AGGRESSIVE TECHNICAL ASSISTANCE PROGRAM FOR FY 1987 TO ADDRESS ACCESSIBILITY RELATED ISSUES. THE BOARD WILL CONTINUE TO PROVIDE TIMELY TECHNICAL ASSISTANCE PARTICULARLY WITH RESPECT TO THE REQUIREMENTS OF THE UNIFORM FEDERAL ACCESSIBILITY STANDARD, PREVIOUS ARCHITECTURAL BARRIERS ACT STANDARDS AND OTHER AGENCY STANDARDS AND GUIDELINES, AS WELL AS ON THOSE ISSUES NOT FULLY COVERED BY THE GUIDELINES OR ANY OTHER STANDARD. THIS INCLUDES PEDESTRIAN WAYS, TRANSPORTATION STATIONS AND PLATFORM LIFTS.

IT IS ALSO ANTICIPATED THAT THE BOARD WILL BE ABLE TO IMPLEMENT THE RESULTS OF THE BOARDING CHAIR PROJECT.

COMPLIANCE AND ENFORCEMENT

WITH RESPECT TO ITS COMPLIANCE AND ENFORCEMENT RESPONSIBILITIES, THE BOARD PLANS TO CONTINUE TO PROCESS COMPLAINTS QUICKLY, WITH A STRONG EMPHASIS ON VOLUNTARY RESOLUTIONS.

CONCLUSION

I BELIEVE THAT THIS RECORD, AND THE PLANS FOR THE FUTURE, DEMONSTRATE THIS BOARD'S LONG-TERM COMMITMENT TO THE GOALS THAT WE SHARE WITH THIS COMMITTEE. WE HAVE EMPHASIZED OUR RESEARCH AND OUR PLANS FOR CONTINUING WORK ON THE MINIMUM GUIDELINES. SIX AREAS ARE TARGETED FOR POSSIBLE FUTURE RULEMAKING. THESE INCLUDE SIGNAGE, DETECTABLE SURFACE TREATMENTS, HAND ANTHROPOMETRICS, DOORS, RECREATION AND VISUAL SIGNALS. OUR FY 1987 BUDGET REQUEST WILL ENABLE US TO PROGRESS TOWARD ACCOMPLISHING THIS GOAL.

MR. CHAIRMAN, THIS BUDGET HAS BEEN PREPARED WITH SERIOUS CONSIDERATION OF THE FISCAL PROBLEMS FACING THIS COUNTRY. WE HAVE MADE A CONCERTED EFFORT TO CONTROL AND MINIMIZE EXPENDITURES WHILE ENSURING COMPLIANCE WITH OUR CONGRESSIONAL MANDATE BY DEPLOYING BOARD RESOURCES AS EFFECTIVELY AS POSSIBLE. IN SO DOING, WE HAVE SIGNIFICANTLY REDUCED ADMINISTRATIVE COSTS. THIS HAS PERMITTED US TO DIRECT A GREATER PORTION OF THE BOARD'S RESOURCES INTO THE RESEARCH EFFORT THUS ENABLING THE BOARD TO COMPLY WITH CONGRESSIONAL DIRECTIVES.

I HAVE REVIEWED THE PRESIDENT'S BUDGET REQUEST FOR FY 1987 AND AM EXTREMELY PLEASED THAT, IN THIS CLIMATE OF FINANCIAL BELT-TIGHTENING, HE HAS CHOSEN TO PLACE THE BOARD IN A HIGH ENOUGH PRIORITY TO INCREASE THE BOARD'S FUNDING LEVEL TO THE 1986 PRESEQUESTER AMOUNT.

I SINCERELY HOPE THAT THE CONGRESS WILL FOLLOW THE PRESIDENT'S LEAD AND APPROVE THIS FUNDING LEVEL--THEREBY PERMITTING THE BOARD TO CONTINUE ITS PROGRESS IN CREATING A BARRIER FREE AMERICA.

THANK YOU. WE WILL BE GLAD TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.

PRIMARY MISSION OF THE BOARD

Mr. SABO. Thank you for your statement. We will have some questions this morning. We will also have a series of questions for the record, and how you want to delegate answers is up to you, except I think the first one, in particular, is directed to you.

Mr. Hauser, you have served on the Barriers Board for several years and in March of last year, you were elected Chairperson.

What do you see as the primary mission of the Board, and what is your long-term strategy for fulfilling this mission?

Mr. HAUSER. I feel that the Board's mission in the future will continue to be the mission that we have pursued in the past year, and that is effective compliance with Federal accessibility standards.

I think that the streamlining of our Compliance and Enforcement Division has been effective. I think that the voluntary compliance that we are getting on the complaints where we have jurisidiction is notable.

In the areas of research, as I have previously stated, we intend to focus the research on those areas that are now reserved in the minimum guidelines, or which need amplification or additional information.

FY 1986 REDUCTIONS

Mr. SABO. The Balanced Budget and Emergency Deficit Control Act of 1985 reduces your fiscal year 1986 budget by $85,000. How will you achieve this reduction? In what specific areas will you make reductions?

Mr. WELCH. We have achieved these through increased efficiency, and also, with a little luck. We had several vacancies that existed, and due to delays inherent in the federal hiring procedure, we will be saving $62,000 in personnel expenses.

We have been filling these positions, but it just takes time in the federal process. We have reduced travel by $5,000, printing by $4,000, training by $5,000, and an automation project within the office where we are receiving technical assistance, by $4,000, and other rentals by $3,000. That takes care of the $85,000.

Mr. SABO. I would assume that if the Supreme Court sustains the lower court decision on Gramm-Rudman, and rules it unconstitutional, those savings would still exist?

Mr. WELCH. Those savings could continue to exist, or those funds could be put into additional research.

Mr. SABO. What effect will this $85,000 decrease have on your research, technical assistance, and compliance and enforcement activities, and on your ability to complete the reserved and special sections of the Board's Minimum Guidelines and Requirements for Accessible Design?

Mr. WELCH. I do not believe they will have any effect in that these savings are being brought about predominantly through existing personnel changes. Travel may be affected minimally. This affects making outside groups aware of what we are doing. However, I think we are actually getting more visibility through the activities the Chairman has undertaken with the national offices of different consumer groups.

RESEARCH PROJECTS

Mr. SABO. The Board published its Minimum Guidelines and Requirements for Accessible Design in August 1982. Since then you have been funding research to provide necessary technical information to complete reserved sections of the guidelines.

What research projects have you completed since 1982, and has this enabled you to complete any additional sections of the guidelines?

Also, do you expect to complete additional sections of the guidelines in the current fiscal year?

Mr. WELCH. We have completed the detectable tactile surface treatments project this year, and a project on signage for which we are beginning the rulemaking process.

As far as a specific timetable, I would like to ask the Executive Director, who is working with the staff on that, to give more detail.

Ms. MILNER. At our Board meeting last week, the staff was directed to begin developing proposed language for the minimum guidelines and requirements sections on signage and detectable tactile surface treatments. We anticipate that we will be able to publish a proposed rule early in fiscal year 1987.

We have some additional projects that will be coming to completion soon, notably our hand anthropometric project. There are no reserved sections of the guidelines that will be affected by those findings but it may provide some basis for making revisions in the sections on controls and operating mechanisms or may validate the material that is already in the guidelines.

MINIMUM GUIDELINES AND REQUIREMENTS

Mr. SABO. What percentage of the minimum guidelines are reserved, and what is your timetable for completion of all reserved sections, assuming continuation of current funding levels?

[The information follows:]

Only a small percentage of the minimum guidelines and requirements are actually reserved. Other sections may need additional clarification or will be affected by changes in reserved sections. They are listed on the attached sheets provided for the record.

The Board in March set a specific timetable for rulemaking in the areas of signage and detectable tactile surface treatments (DTST). Staff will develop a specific recommendation on DTST for the Board to consider at its May 12-13, 1986 meeting and another on signage for it to consider at the June 25, 1986 Board meeting. Rulemaking may occur as early as 1987.

The Board will continue to act on sections of the minimum guidelines and requirements as research and field experience become available.

It is important to note that a reserved or incomplete section of the minimum guidelines does not mean there is no enforceable standard. The Uniform Federal Accessibility Standards (UFAS) contain provisions enforceable under the Architectural Barriers Act (ABA) even through the minimum guidelines have no comparable provisions. The Board worked with the agencies in their development of UFAS and endorsed the standards.

MGRAD RESERVED SECTIONS

Section	Content	Rulemaking Target Dates	UFAS Provisions
1190.200	Signage - (provisions dealing with signage are also reserved for new construction, additions, and alterations; and at parking/ loading zones, elevators, and toilet rooms.	Proposed rule, FY 87 (Research completed)	Covered fully by 4.30
1190.190	Tactile Warnings (also reserved where mentioned at stairs, curb ramps, etc.)	Proposed rule, FY 87 (research completed)	Reserved
1190.130(h)(2)(i)	Doors - opening forces for exterior doors only are reserved; all other specifications provided.	Unscheduled (research to be funded FY 86)	Same as MGRAD; are covered by 4.10, with exterior door opening forces only reserved provision.
1190.100(c)(2)	Elevator door timing	Unscheduled	Covered fully by 4.10
1190.140	Windows	Unscheduled (possibly FY 88; research nearing completion.)	Reserved
Subpart E	Special Building and Facility Types	Unscheduled	Covered by: 4.34, Dwelling Units 5, Restaurants and Cafeterias; 6, Health Care; 7, Mercantile; 8, Libraries; 9, Postal Facilities

MGRAD SECTIONS FOR POSSIBLE REVISION
BASED ON ADDITIONAL RESEARCH

Section	Content	Rulemaking Target Dates	UFAS Provisions
1190.170	Controls and Operating Mechanisms - (and may affect door hardware, elevator lobby call buttons, platform lift controls, toilet paper dispensers and other toilet room controls, drinking fountain controls, alarm pull stations)	Unscheduled (research nearing completion)	Covered by 4.27
1190.180	Alarms	Unscheduled (research in progress, with new project to be funded in FY 86)	Covered by 4.28
1190.50	Ground and Floor Surfaces	Unscheduled (research to be funded in FY 86)	Covered by 4.5
1190.100(b)(3)	Platform Lifts - safety requirements	Unscheduled	Covered by 4.11
1190.40	Human Data - to cover all disability types and special populations (e.g., children, elderly)	Unscheduled	Covered by 4.2
1190.210	Telephones (may add requirements for TDDs)	Unscheduled (research completed, demonstration project now under way)	No TDD requirements

RESEARCH ACTIVITIES

Mr. SABO. In her prepared statement for last year's hearing, Mrs. Will, Vice Chairperson of the Board, indicated the Board's priorities for fiscal year 1986 were in four areas: recreation, transportation, alarms, and surface treatments.

What research projects will be initiated and/or completed in each of these areas during this fiscal year, and will this enable you to complete any additional sections of the guidelines?

Ms. MILNER. Yes. We have been pursuing a project in recreation access which consisted of organizing a working group with representatives from several Federal agencies, including the Department of the Interior, and also with some private sector individuals.

We will be developing a technical paper on recreation, and the Board will then consider whether additional provisions in the minimum guidelines are appropriate, or whether other appproaches may be a more effective means for implementation.

In transportation, we have had several projects underway. I think we have already mentioned our project to develop advisory standards for aircraft boarding chairs, which we will be publishing for public comment in the "Federal Register" soon, and then we will be working with the Department of Transportation to implement those in an appropriate way. In addition, we are funding three technical papers on areas of transportation accessibility: one on mobility aid stowage, and two, which we are doing through an interagency agreement with UMTA, on wheelchair lifts and wheelchair securement for buses and paratransit vehicles.

In alarms, we intend to fund this fiscal year a project on visual signals, which is a follow-on to our earlier, project that is ongoing on alarms documentation. We expect the findings from this project to enable us to ensure that we have provisions in the minimum guidelines that reflect the current technology in alerting both blind and hearing impaired individuals about emergency situations.

We also anticipate, if we have sufficient funds available this fiscal year, that we will be able to fund a project on ground and floor surfaces, which will investigate, in particular, slip-resistance factors, and help us to better define some of the terms that are in the minimum guidelines and requirements that do not have specific technical definitions.

Mr. SABO. What are your research priorities for fiscal year 1987? Have you made any changes to your list of research priorities since last year?

[The information follows:]

The Board research priorities for FY 1987 will be considered at the May 1986 meeting of the Board. Tentative priorities are: *slip-resistant surfaces* (if not funded in FY 1986), *roll resistance, walking resistance, visual signals* (second of two years), and possibly a project on cost-effective accessibility options for use in *leased facilities*, pending completion of legal activities in this area (Rose v. USPS).

Mr. SABO. How would these research priorities be affected if funding were continued at the fiscal year 1986 level after sequestration?

[The information follows:]

The Board expects to be able to absorb $85,000 in program cuts, the amount sequestered in FY 1986, without impacting its research program. These reductions would come from administrative areas rather than from research.

TECHNICAL ASSISTANCE

Mr. SABO. One of the Board's primary functions is to provide technical assistance to both public and private entities. In last year's prepared statement, Mrs. Will stated: "Technical assistance needs may increase somewhat now that the Uniform Federal Accessibility Standard is published and as agencies more fully implement section 504 in their own programs."

Are you seeing an increase in technical assistance requests from the agencies?

Are your efforts to provide assistance to the federal agencies requiring you to divert resources from other activities? If so, where and what effect is this having on those activities?

Mr. WELCH. Well, I think the number of technical requests are remaining somewhat on a plateau. However, I think we have seen an increase in the complexity of technical assistance requests.

One major area that was mentioned in the prepared statement was developing recommendations for providing accessibility for children in elementary schools. The UFAS and the minimum guidelines are silent on this issue.

UFAS was developed for the purposes of providing accessibility for adults. There was a clear need with regard to appropriations provided by Congress to remove barriers in elementary schools, for a different set of standards, if you will, for children. The Department of Education asked us to give them guidance on what should be requested in the way of waivers and modifications to UFAS in this area. That was a far greater project, in scope, than we have seen in the past.

Mr. SABO. Mr. Coughlin.

PARATRANSIT VS. ACCESSIBLE REGULAR SERVICE

Mr. COUGHLIN. Thank you, Mr. Chairman. We welcome you here. Last week, the American Public Transit Association (APTA) had its annual convention in Washington, D.C.

Concurrent with the APTA meetings, handicapped groups called on Hill offices to protest accessibility of transit.

Representatives of handicapped groups state that paratransit is not acceptable since it has limited hours of operation and must be scheduled in advance.

Can you comment on the merits of paratransit versus accessible regular service, and has the Board taken a position on this?

Mr. WELCH. The Board, in 1980, did take a position on the need for fully accessible transportation. I do not have that here but I can provide that particular policy statement for the record. With regard to setting guidelines, the Board does not have authority to set guidelines on rolling stock. It is currently being decided by the Office of Legal Counsel in the Department of Justice, whether or not we have the authority to enforce regulations of the Department of Transportation with regard to rolling stock.

[The information referred to follows:]

for any reason, the remaining portions of these regulations that are severable from the invalid part shall remain in full force and effect. If a part of these regulations is invalid in one or more of its applications, the part shall remain in effect in all valid applications that are severable from the invalid applications.

PART 1151—GENERAL STATEMENT OF POLICY

Sec.

1151.1 Federal parking space policies.
1151.2 Amicus curiae policies.
1151.3 Public transportation accessibility policy.
1151.4 Federal procurement policies.
1151.5 Voting accessibility policy.

AUTHORITY: Pub. L. 93-112, as amended by Pub. L. 95-602 (29 U.S.C. 792).

§ 1151.1 Federal parking space policies.

Those standards for design, construction, and alteration issued under the Architectural Barriers Act of 1968, as amended, should be revised to require in all federally owned, occupied, or leased buildings and facilities that (a) accessible parking spaces be located closest to an accessible entrance, and (b) at least 2 percent of any visitor parking (a minimum of one space in any such visitor parking lot) be provided for handicapped visitors.

[44 FR 18022, Mar. 26, 1979]

§ 1151.2 Amicus curiae policies.

(a) *Applicability.* This section sets forth policies and procedures for the A&TBCB to participate as amicus curiae in litigation.

(b) *Definition.* As used in this section, the term amicus curiae means to intervene, appear and participate, or to appear as amicus curiae, in any court of the United States or in any court of a State in civil actions.

(c) The Executive Committee of the ATBCB has the duty and responsibility to review requests to the Board to enter litigation as *amicus curiae.* In carrying out these responsibilities, the Executive Committee is delegated the authority to disapprove such requests and make recommendations to the ATBCB to approve such requests. ATBCB approval shall be required prior to any *amicus* filing. The Executive Committee may request the Chairperson of the ATBCB to call a special meeting of the ATBCB to expedite ATBCB action on the Executive Committee's recommendations.

[45 FR 44926, July 2, 1980, as amended at 48 FR 52911, Nov. 23, 1983; 48 FR 54223, Dec. 1, 1983]

§ 1151.3 Public transportation accessibility policy.

Just as disabled persons are entitled to equal access to public buildings, they are entitled to equal mobility; this means that they have the right to public transportation that is comparable to that available to the general public in terms of geographic range and hours of operation, trip decision time, fares, and the lack of restrictions on trip purpose and eligibility.

[45 FR 43718, June 30, 1980]

§ 1151.4 Federal procurement policies.

(a) Except as otherwise provided in this § 1151.4, for purposes of the Federal Property and Administrative Services Act and implementing regulations and circulars the Chairperson shall act as the "Head of the Agency" or "Agency Head" for administrative determinations.

(b) Except as otherwise provided in this § 1151.4, for purposes of the Federal Property and Administrative Services Act and implementing regulations and circulars, the Executive Director is delegated authority to act as "Head of the Procuring Activity" and to designate appropriate subordinate officials. The Executive Director may (1) enter all contracts on behalf of the ATBCB in accordance with the provisions of this § 1151.4 or may delegate that responsibility, (2) to the extent authorized by law, direct suspension or termination of contracts under his or her procuring authority, and of contracts under the delegated authority of designated subordinate officials, and (3) process unsolicited proposals.

(c) The ATBCB will approve the specific objective of each procurement (1) in excess of $10,000, or (2) which has a major policy implication before any such procurement is awarded and reserves the right, as warranted, to

Mr. COUGHLIN. Is the 1980 position still the position of the Board?

Mr. WELCH. The Board has not changed that. There has been no action by the Board since that time.

RESEARCH ON FIRE SAFETY

Mr. COUGHLIN. And just one other question. Has the Board done, or is the Board planning, any research on fire safety, structural barriers, fire safe elevators, and so forth?

Mr. WELCH. We do have projects underway on alarms, and in particular, visual alarms to warn people with hearing impairments of emergencies. However, the need for emergency egress has been brought up by one of our new Board members, Mr. Tangye who is the executive vice president of the Southern Building Code Congress. He pointed out that building codes have generally provided accessibility but lack provisions for egress in times of emergencies.

Mr. COUGHLIN. Thank you, Mr. Chairman.

DOT FINAL RULE

Mr. SABO. Thank you. This is really a follow-up to Mr. Coughlin's first question. The Department of Transportation (DOT) was required under the Surface Transportation Assistance Act of 1982 to issue regulations by July 1983 that ensure accessibility to transit systems for disabled persons.

A proposed rule was issued in September 1983 and then this past December 6, a Federal judge ordered Secretary Dole to submit a draft of the final regulations to the Department of Justice and OMB.

What is the status of the final rule?

Mr. WELCH. We have not been informed by the Department of Transportation of the status.

Mr. SABO. Mr. Hauser, why do you feel it is taking so long to issue these regulations, and do you have reason to believe that now the foot-dragging is on the part of OMB or Justice?

Mr. HAUSER. I do not have any way of determining that. I know even within our own staff, sometimes things take much longer than I expect them to take.

We can make a request of Transportation and Justice to find out what those circumstances are and communicate them to you.

Mr. SABO. Okay. If you would.

[The information follows:]

Staff has contacted the Office of the Assistant General Counsel for Regulation and Enforcement to request an update on the status of the final rule. Apparently all issues have now been resolved between DOT and Justice. DOT expects the final rule to be ready for Secretary Dole's signature soon. A copy will be sent to the Board at the same time the rule is sent to the *Federal Register*.

Mr. SABO. I assume you have no indication when the final regulations will be issued?

Mr. HAUSER. We have received no information, that I know of, on that.

Mr. SABO. Last year, Mrs. Will indicated that the criteria contained in the proposed transit rule issued by DOT in September

1983 is generally consistent with the Board's official policy on transportation accessibility.

Do you agree that the proposed rule is consistent with your transportation accessibility policy?

Mr. WELCH. Our policy is a very broad policy, and I think generally, the proposed rule was generally consistent with it. The Department of Transportation serves on the Board and is a member of the transportation committee. We had some concerns about the areas that were being looked into for comment on the proposed rule. The Department of Transportation, through their representative on the Board, was aware of those concerns, and I am assuming that they took them back to the Department of Transportation.

Our Board meetings were held at such a time that there was not an official Board position taken. However, there was staff interaction. I can provide you with more information for the record on the results of that interaction.

[The information follows:]

In 1980 the Board adopted a general policy on transportation services for disabled persons which states that the Board believes such service should be at a level generally comparable to the service level for the non-disabled public, but does not specify a particular mode. The DOT notice of proposed rulemaking published in September 1983 contained criteria which were generally consistent with those criteria.

DOT is an active participant in the Board's Transportation Committee and DOT staff have participated in numerous discussions on mass transportation and Board member concerns. In this regard, DOT received a copy of a Board staff working paper analyzing the proposed rule and there has been ongoing discussion on these issues among Board and DOT staff.

According to information supplied by the DOT Office of the Assistant General Counsel for Regulation and Enforcement, the final issues between DOT and Justice have been resolved and approval of the rule is expected soon. DOT is expected to furnish the Board with a copy of the final rule just prior to publication in the *Federal Register*.

"COST-CAP" PROVISION

Mr. SABO. According to testimony last year the Board expressed to the Department of Transportation two major concerns with the proposed rule.

One concern was with a "cost-cap" provision.

Last year you indicated DOT intended to reevaluate this provision. Do you know if this provision is included in the draft final rule DOT submitted in December to OMB and to the Department of Justice?

Would an expenditure cap be more acceptable to you, if it were placed at a reasonable level, or are you opposed to any expenditure limitations?

Mr. WELCH. With regard to what was included in the proposed final rule, we have not seen that rule, so we have no way of knowing what is in it.

We recognize that there have to be limits on expenditures. While, in principle, we may like not to do that, we recognize the necessity of having such caps. So if it was a reasonable level, it would be more acceptable.

Mr. SABO. Have you asked to see a copy of the final rule?

Mr. WELCH. No. We have not.

Mr. SABO. Why not?

Mr. WELCH. It is not under our jurisdiction per se. We felt that since we had expressed our concern to the Department of Transportation, both at the staff level and to the Assistant Secretary for Policy who is a member of tbe Board, we would see it at the time it was published.

ACCESSIBILITY OF RAIL CARS

Mr. SABO. A second concern that you expressed to DOT was the absence of specific requirements to assure accessibility of the rail cars in newly constructed rail transit systems.

Did DOT indicate to you the reasons for their silence on this issue in both the proposed and draft final rule?

What are the most serious access deficiencies with existing rail transit systems, and which of the presently operating rail transit systems are adequately accessible?

Mr. WELCH. Again, with regard to the final rule, we have not seen it, so we do not know what it includes.

Obviously, a major problem with accessibility is the platform height and the car height being different, other problems are access to elevators.

The Washington system, as an example, and most newer systems tend to have adequate elevators for accessibility. The problem has arisen more in the maintenance of those elevators. Too often a person who needs those elevators arrives at a station, gets off the train, and then goes to leave the station, and finds that that particular elevator is temporarily out of order.

Mr. SABO. That is sort of hard to avoid, if it is broken down, isn't it?

Mr. WELCH. Yes. But that is a major problem. I think they break down more often than elevators in buildings because they are not used as regularly.

Also, they are outside and more exposed to the weather. Other problems are with regard to the hearing-impaired not being able to hear an approaching train and the visually-impaired not knowing when they are too close to the tracks.

Some of the systems that we have found to be more accessible are those in Atlanta, Washington, Miami and San Francisco.

ALTERNATIVE APPROACHES TO ELIMINATE BARRIERS

Mr. SABO. Both the states and the federal government are increasingly confronted with fiscal constraints and are under pressure to consider program costs and alternative approaches to, and levels of, service delivery.

In preparing the Minimum Guidelines and Requirements for Accessible Design, has the Board considered alternative approaches or levels of design to eliminate transportation and architectural barriers?

Mr. WELCH. Generally, yes. I would again like to ask Margaret Milner to expound on some of the specifics.

Ms. MILNER. In reviewing approaches to accessible design, we always take into consideration the most efficient way of achieving the goal of accessibility. In addition, the minimum guidelines and the Uniform Federal Accessibility Standards try to allow for devel-

oping technology, so that as alternative means become available, they can be used to meet the requirements of the standard.

In terms of levels of service delivery, or levels of design, our scoping sections reflect this. The Uniform Federal Accessibility Standards, for example, has a section on occupancy classifications, and the accessibility requirements for a building are based upon the nature of use of the building, and the expected occupancy by physically handicapped persons.

NATIONAL COUNCIL ON THE HANDICAPPED

Mr. SABO. The National Council on the Handicapped recently submitted a report to the President and the Congress on federal laws and programs affecting persons with disabilities and containing legislative recommendations.

The Council recommends legislation to ensure disabled persons have accessibility to all forms of public transportation.

Could you please summarize the more significant transportation-related legislative recommendations?

Has the Board endorsed any or all of the Council's recommendations?

[The information follows:]

A. Significant transportation related recommendations of the National Council on the Handicapped include:

1. Urban Mass Transit.—Congress should amend Section 16 of the Urban Mass Transit Act to require full accessibility to mass transportation to be achieved over a realistic period of time; such amendments should:

Prohibit discrimination on the basis of disability by recipients of Federal funds under this Act.

Require recipients to provide a level of service to disabled and elderly persons that is equivalent with that available to nondisabled persons in terms of: 1) service range, 2) transfer frequency, 3) fare, 4) travel purpose, 5) trip decision/travel time, 6) capacity, and 7) availability.

Require that all new facilities and vehicles constructed or purchased with funds under this Act be accessible.

Require recipients of funds under this Act to develop specific transition plans for achieving, within a reasonable period of time, full access and comparable service levels. These plans should be developed with the substantial and meaningful involvement of disabled and elderly consumers.

Create a private right of action for persons who believe they have been discriminated against by recipients of funds under this Act.

2. Congress should amend the Architectural Barriers Act of 1968 to establish the Department of Transportation as a standard-setting agency for the development of access standards for buildings, facilities, and public conveyances, including rolling stock and aircraft, which are designed, altered, constructed or purchased with Federal funds to insure that they are readily accessible and usable by disabled and elderly persons.

3. Air Transportation.—Congress should amend the Federal Aviation Act to:

Prohibit discrimination on the basis of disability by all airlines using federally assisted airports.

State that all airlines using federally assisted airports are subject to the provisions of Section 504 of the Rehabilitation Act of 1973 and regulations promulgated thereunder.

4. Intercity and Interstate Buses.—Congress should extend coverage of handicap nondiscrimination requirements to interstate commerce, thus prohibiting such discrimination by intercity and interstate bus companies.

5. Private Transportation.—Congress should establish a low-interest loan program based on income to assist disabled persons and families with disabled children or elderly persons to purchase vehicles or to make necessary access modifications.

6. Congress should direct the Department of Transportation to commission a study, based upon its existing authorities and targeting currently available funds, to

assess the impact of increased access to transportation on employment, education, and quality of life for disabled and elderly persons.

The Board has not taken a position regarding these recommendations at this time.

BOARD'S AUTHORITY OVER ROLLING STOCK

Mr. SABO. In 1984, your General Counsel prepared an opinion on the Board's authority over accessibility of rolling stock. She held that "the Board has authority to enforce all binding standards affecting accessibility of public conveyances."

Her opinion was submitted to the Department of Justice for a ruling. Have they responded yet, and if not, why do you believe they are holding this up?

Mr. WELCH. They have not responded yet, and I do not believe they are holding it up. I believe they are initiating an extensive investigation into the legislative history, and things of that nature. Their Office of Legal Counsel I understand is a relatively small office, and I have no reason to believe they are intentionally holding that up.

Mr. SABO. Do you still agree with the original position?

Mr. WELCH. The original position of the Board?

Mr. SABO. Yes, and that of the General Counsel.

Mr. WELCH. The Board took no position on the opinion of the General Counsel. It was, I believe, in conflict with the Department of Transportation's General Counsel, and that is why it was referred to the Office of Legal Counsel in Justice.

Mr. SABO. Have you inquired of Justice, lately, as to when they are going to come to a decision?

Mr. WELCH. No, we have not. We will.

[Additional information provided for the record follows:]

The Department of Justice's Office of Legal Counsel (OLC) has indicated that its opinion on the rolling stock questions will be issued no later than May 15, 1986. The OLC cited as reasons for the delay, staff turnover and work on other opinions which had a higher priority.

DOT AS A "STANDARD-SETTING AGENCY"

Mr. SABO. One of the National Council on the Handicapped legislative recommendations is to amend the Architectural Barriers Act of 1968 to designate the Department of Transportation as a "standard-setting agency", adding it to the four originally named standard-setting agencies—GSA, HUD, HHS and DOD. Do you support this recommendation?

Mr. WELCH. The Board as a whole has not taken any position on it. The report came out, I believe the 1st of February, and was not cut in time to be included for a decision on the Board agenda. With regard to the recommendations, I think there are budgetary and workload implications that would affect the Board, that would have to be studied before the Board could take such a position.

Mr. SABO. If DOT were designated as a standard-setting agency, what effect would this have with respect to your jurisdiction over compliance and enforcement of standards that assure accessibility?

Mr. WELCH. The issue of whether the Board can currently enforce standards issued by the Department of Transportation is cur-

rently under review by the Office of Legal Counsel. If DOT were to be made a standard-setting agency, it would clarify this issue.

DOT NPRM ON AIR TRAVEL

Mr. SABO. According to the Board's testimony and budget justifications over the past two years, a high priority area for the Board is accessibility of commercial air transportation to disabled persons.

In information provided for the record last year, you indicated DOT was preparing to issue a notice of proposed rulemaking regarding air transportation for disabled persons.

Would you please summarize the major provisions of the proposed rule? Did the Board provide assistance to DOT in preparing the proposed rule, and if so, were your comments included in the NPRM? Also what is the status of the proposed rule?

Mr. WELCH. I would have to, as far as the current status, submit that information for the record. We did provide staff comments to the Department of Transportation, on the initial draft and later, in July of 1985, the Board submitted, by letter, an official comment on the NPRM.

[The information follows:]

The DOT draft notice of proposed rulemaking (NPRM) on air travel on which the Board commented in July 1985, proposed to extend the provisions of the old CAB 504 rule to non-subsidized air carriers through the lease signed with a federally funded airport. The NPRM does not depend on air carriers being covered by section 504 of the Rehabilitation Act and the second draft submitted to the Board for review drew specific attention to that fact. That draft, including Board comments, was forwarded to Justice for approval. However, the DOT Office of the Assistant General Counsel for Regulation and Enforcement has informed staff that DOJ referred the draft back to DOT, without approval, pending a decision in *PVA* v. *DOT*, now before the Supreme Court. Oral arguments are to be heard March 26, 1986.

Mr. SABO. What are the major provisions of the proposed rule?

Mr. WELCH. I would like to ask Dennis Cannon, who is our transportation expert, to give that information.

Mr. CANNON. Currently, the rule in question was originally issued by the Civil Aeronautics Board, and when the Sunset Act of 1984 came about, those rules were translated over to DOT. The rule contains three parts, and the first one is a general provision pertaining to all air carriers. The second and third pertain only to those which receive a direct Federal subsidy, and that encompasses about seven or eight small carriers.

The thrust of the DOT-proposed rule was to include all carriers under those provisions, not by virtue of Section 504, but rather, by virtue of the lease that each of those air carriers must sign with a Federally assisted airport. Since the airports are covered by the DOT rule, the proposal, at that point was to require, that when the airport signed a lease with the carrier, the lease itself would contain a provision guaranteeing that the carrier would comply with certain provisions.

Mr. SABO. Has your Board been involved in a controversy over seating blind persons in airplanes?

Mr. WELCH. No. I must point out again, that we do not set regulations for rolling stock, which includes airplanes. We do have some research going on dealing with mobility aid stowage, which

would result in a possible advisory standard and input to the Department of Transportation on how canes could be stored on the planes.

Mr. SABO. The Board's testimony from last year indicates you intended to withhold official comment on the draft NPRM until legal issues involved with a related court case were resolved. Although that case is still pending, could you comment in general on the adequacy of the proposed rule, and on any major concerns you have with it?

Mr. WELCH. We submitted a letter on July 18th to the Department of Transportation, pointing out some of our concerns on the proposed rule. I do not have a copy of the letter with me. If you would so like, I can submit it for the record.

Mr. SABO. Why don't you submit it, and we will make a judgment on whether it should or should not go in the record, depending on how long it is.

Mr. WELCH. All right.

[The information follows:]

United States Architectural and Transportation Barriers Compliance Board Washington, D.C. 20202

JUL 18 1985

Mr. Matthew Scocozza
Assistant Secretary for Policy and
International Affairs
Department of Transportation
400 Seventh Street, S.W., Room 10228
Washington, D.C. 20590

Dear Mr. Scocozza:

In response to your letter dated April 15, 1985, and as provided under section 14 of the Civil Aeronautics Board Sunset Act of 1984, the Architectural and Transportation Barriers Compliance Board submits comments on the Department of Transportation's (DOT) April 15, 1985, draft notice of proposed rulemaking (NPRM) entitled "Nondiscrimination on the Basis of Handicap in Department of Transportation Financial Assistance Programs and in Operations of Certificated Air Carriers."

The Board is aware that the final rule will not be published until the NPRM is approved by the Department of Justice and the Office of Management and Budget. The scope of coverage of airlines under the final rule will have a significant effect upon various specific regulatory provisions. For example, if a variety of carriers, both large and small, is proposed to be covered by the rule, you might wish to rephrase the question on page 17 concerning the 48-hour advance notice requirement for extensive special assistance, in light of the fact that the ability to provide assistance may depend at least in part on the size of the carrier.

With the above considerations in mind, we wish to offer the following comments:

1. The questions asked in this draft NPRM could result in comments that recommend changes in specific sections of 14 CFR 382. We suggest that DOT identify the specific sections of the regulation to which its requests for comments relate, as much as possible. For example, one suggestion from former Acting Board Chairperson Madeleine Will's letter of January 25, forwarding staff comments, could be phrased as follows:

   > The Department seeks comment on whether section 382.15(a)(2) should be strengthened to clarify that mechanical lifts, if available, must be used.

2. We also suggest that comments be solicited as to whether, or to what extent, purchasers of new aircraft should be required to procure manufacturer-provided "accessibility packages," and other features such as seats with movable aisle armrests.

3. In addition, the Board's letter of January 25 suggested that the assurance (i.e., guarantee) required by proposed section 27.71(c)(2) include a provision that subleases will also have appropriate assurances. We note that the new draft does incorporate a provision that carriers include assurances in leases or other agreements they may have with other carriers. However, carriers may enter into contracts with organizations besides other carriers. For example, some carriers and/or airport operators contract with private security agencies to provide enplaning and deplaning services for disabled persons. The assurance in the April 15 draft may not adequately cover such entities. We believe it is necessary to include appropriate provisions in contracts which a carrier may have with any party which provides services to disabled persons, not just other carriers. Also, we continue to believe that the assurance required by proposed section 27.71(c)(2) should also require that equipment under the carrier's jurisdiction, used in providing service to disabled persons, be maintained in operable order.

We wish to thank the Department for considering our suggestions and look forward to a close working relationship on similar issues.

Sincerely,

Charles Hauser
Chairperson

Mr. SABO. In the court case just mentioned, a three-judge panel of the Court of Appeals ruled that domestic commercial airlines also must comply with rules originally set down by the Civil Aeronautics Board and inherited by DOT.

These rules are binding on airlines receiving direct federal subsidies but only serve as a guide for most carriers.

The Supreme Court has agreed to review the lower court decision and to rule whether the Rehabilitation Act of 1973 applies to onboard activities of all airlines.

If the lower court ruling is upheld, what types of services and practices would be required of airlines that they are now not providing? And why aren't the airlines providing these services?

Do you find the airlines are uncooperative, do you believe they are just unaware of the needs of disabled persons, or are there economic disincentives?

Mr. WELCH. We, again, do not have jurisdiction over what occurs on the airplanes. However, with regard to the cooperation of the airlines and Department of Transportation, they have the National Transportation Facilitation Committee, on which they invited the Board to participate which is discussing these issues and ways of resolving them.

There is participation on this by different air carriers. During the first meeting with which the Board was involved the airline industry provided us with a plane to demonstrate different boarding seats. I believe there is a desire on the part of the industry to cooperate in these matters.

PROJECTS TO ENHANCE ACCESS TO AIR TRAVEL

Mr. SABO. Last year in information provided for the record, you indicated that the Board's fiscal years 1985 and 1986 research agendas included projects to enhance access to air travel.

Would you please comment on the activities you have completed, are currently involved with, or have planned for fiscal year 1987 to enhance access to air travel.

[The information follows:].

In 1984 the Board published in the *Federal Register* [49 Fed. Reg. 36210, September 14, 1984] an invitation for public comment on the development of advisory standards for aircraft boarding chairs. The 188 comments received identified chair design and personnel training deficiencies which helped the Board develop a request for proposals for the production of an advisory standard and a technical manual.

The Board awarded a contract to the American Institutes for Research (AIR) in September 1985 to develop advisory standards and a technical manual on the use of aircraft boarding chairs. At the March 1986 meeting, the Board voted to publish the proposed advisory standard in the *Federal Register* for public comment. The contract calls for a final advisory standard and manual to be delivered by September 1986.

Also underway (although funded in FY 1985) is an interagency agreement with the Department of Transportation for the "Airport Telecommunication Devices for Deaf Persons (TDD) Pilot Program," under which Miami and Baltimore-Washington Airports will demonstrate TDD use. In addition, a contract to produce a "Mobility Aid Stowage Technical Paper" is scheduled to go out to bid this fiscal year.

In an effort to increase communication with the private sector on developing solutions to air travel barriers, at the invitation of the Department of Transportation (DOT), the Board has joined the National Transportation Facilitation Committee (NTFC), a broadly-based panel created by DOT and the Department of Commerce. The Board and DOT jointly chair a newly created subgroup on Air Travel Accessibility. This subgroup includes other Federal agencies, large and small air carriers,

wheelchair and boarding chair manufacturers and designers, and disabled consumers. The panel's contributions to the Board and contractor on the development of an advisory standard and manual for aircraft boarding chairs has been extensive. It will also be asked to assist with the "Airport Telecommunications Devices for Deaf Persons Pilot Program" and the "Mobility Aid Stowage Technical Paper."

PRIVATE SECTOR ADVANCES

Mr. SABO. Private sector involvement is a major theme in this administration. What advances in technical design and services to eliminate barriers to transportation are being made in the private sector?

Mr. WELCH. The National Transportation Facilitation Committee which is made up predominantly of members from the private sector, has been working with the Board in providing the Board technical advice, particularly on the research we are doing on boarding chairs. Also, many private sector initiatives have been undertaken with regard to the use of TDDs.

I believe it was California-Bell which has taken initiatives in this area, and has assisted us in our TDD project at airports.

REAUTHORIZING LEGISLATION

Mr. SABO. The Board's authorization expires at the end of this fiscal year. What is the status of your reauthorization legislation and what is the Board's position on reauthorization and possible changes to the current roles, functions, or jurisdiction of the Board?

Mr. WELCH. These are——

Mr. SABO. Is that in front of Education and Labor?

Mr. WELCH. Yes, Select Education is the subcommittee that is handling that. They have approved a bill at the committee level in the House that proposes several changes. One is to increase the number of public Board members from eleven to twelve, and to increase the number of handicapped members of the Board from five to six. The Board, in informal discussions, reached a consensus that they agree with increasing the number of disabled members, but did not feel there is a need for increasing the number of public members.

The Committee seemed, through a series of amendments, to indicate that there is an "us/them" mentality on the Board between Federal members and Public members. This may have existed at some time in the past, but it does not now exist. Consequently, the members did not feel there was any need for Public members to be in the majority.

They also proposed an amendment that would require that the Chairman and Vice-chairman alternate between public and Federal agency members.

In practice, this has been what has happened. The Chairman or Vice-chairman has, one of them, always been a public member while the other has been a Federal member. The bill requires that they alternate every year. The Board was opposed to this for two reasons.

One, that they felt that the members on the Board would be the best able to judge who had the necessary leadership capabilities. Also, being Chairman is very different from being just a member of

the Board, as the learning experience oftentimes takes a portion of that year. To switch every year would break the continuity.

Mr. SABO. I did not quite understand. These are discussions that have been going on within the Board, in terms of their recommendations?

Mr. WELCH. Yes.

Mr. SABO. Have there been any hearings on reauthorization yet?

Mr. WELCH. Not that the Board has been invited to testify to. I understand that——

Mr. SABO. Have you submitted a bill for reauthorization yet?

Mr. WELCH. We have not submitted a bill. We have submitted a letter to Chairman Bennett of the Subcommittee on Select Education.

Mr. SABO. It's not Bennett, is it? Isn't it Williams?

Mr. WELCH. Williams, yes. I am sorry. After we saw a markup of his initial proposals, we did submit a letter pointing out some of our concerns.

Mr. SABO. Do you expect the legislation will have any clarification of roles for your agency versus other agencies, and of what your jurisdiction is?

Mr. WELCH. There is no clarification of that in the current legislation, that I have seen.

Mr. SABO. Okay. Would you provide for the record a listing of what you consider to be the Board's three most significant accomplishments during the past year?

Mr. WELCH. All right.

[The information follows:]

Since we testified before your committee last year, the Board has had a number of significant accomplishments. The three most important accomplishments were:

Standards for Aircraft Boarding Chairs.—The ATBCB developed proposed advisory standards and approved their publication in the *Federal Register* for public comment.

Implementation of Recommendations from the Telecommunication Devices for Deaf Persons (TDD) Research Project.—The Board entered into an interagency agreement with the U.S. Department of Transportation to develop a TDD pilot project to make a major metropolitan area airport accessible to deaf and hearing impaired persons; entered into an agreement with the U.S. Department of Treasury to develop a Federal TDD relay system; and published an information brochure on TDDs developed jointly by GSA and the Board.

Action on Accessible Transportation.—The Board joined the National Transportation Facilitation Committee and, with DOT, organized the subgroup on Air Travel Accessibility which the Board co-chairs with DOT. The Board also entered into an interagency agreement with DOT and the Urban Mass Transportation Administration (UMTA) to develop technical papers on bus lift and wheelchair securement.

Mr. SABO. We will also have a series of other questions for the record.

BOARD'S MAJOR ACCOMPLISHMENTS

Mr. SABO. What were your major accomplishments in fiscal year 1985 in each of the following areas: (1) compliance and enforcement; (2) technical assistance; (3) research; and (4) completion of reserved and special sections of the Board's Minimum Guidelines and Requirements for Accessible Design?

[The information follows:]

(1) Compliance and Enforcement: Major accessibility accomplishments achieved through the informal resolution process in FY 1985 included, among others: installing an elevator in a Virginia post office; adding a ramp and automatic doors at an Illinois post office; widening a door to a station house in a New York subway station; installing a chair lift and signage at a museum in California; installing a ramp and handicapped parking space at a government office in Arkansas; installing ramps at polling sites in Georgia and Virginia; making alterations to restrooms in an office building in Pennsylvania; installing an elevator and altering restrooms in a Mississippi courthouse; installing a ramp and altering restrooms in a Federal courthouse in Texas; installing an elevator in a Wisconsin Federal building; relocating a Social Security Administration Office to an accessible facility in Cleveland, Ohio; replacing entrance doors and installing a non-skid surface and handrails at a community college in Pennsylvania; constructing ramps at a Connecticut post office, a Vermont post office, a Social Security Administration office in Massachusetts, a Virginia high school, and a South Carolina social services office; and installing a ramp, handrails, and automatic door at a Federal courthouse in Texas.

(2) Technical Assistance:

Our major technical assistance accomplishments have been:

- New UFAS Publication: Coordination of production of the reprint edition of the Uniform Federal Accessibility Standards (UFAS), which is printed with typography and format that enhance its readability and which includes a Board-developed index that significantly aids usability. This index is being adapted for publication with the 1985 ANSI A117.1 standard, on which the UFAS is based. The UFAS edition was funded by the four standard-setting agencies.
- Boarding Chairs: The Board received 188 responses to the invitation to comment on advisory standards for aircraft boarding chairs which was published in the Federal Register on September 14, 1984 (49 Fed. Reg. 36210). Of the total number of respondents, 84.3 percent said the ATBCB should develop advisory standards for boarding chairs. A research contract to develop these advisory standards is now nearing completion.
- Technical Assistance Inquiries: In addition to responding to inquiries of a more general nature, the Board provided responses to approximately 8,000-10,000 technical inquiries having specific questions on accessibility primarily related to design, construction, and alteration of buildings and facilities. This information is based on the analysis of data collected by the Board during workload measurement.

  In support of its technical services efforts, the Board developed extensive materials for answering frequently asked questions related to accessible design and funding sources for modifications. These materials include: selected bibliographies and resource lists, form letters, packets of information, and local resources in both the public and private sectors.

- Technical Library: The technical library's collection of manufacturers' product literature has been updated and expanded to meet public and agency request for information on both architectural products and assistive devices.

  The computer system, which makes possible the efficient operation of the library with minimum staff support, has been enhanced. It now allows for the automated data entry and search and retrieval of both State and model accessibility code information and abstracts of significant library documents.

  An example of the capability of the library system was the development, in response to a Department of Justice request, of in-depth information on State access code requirements which apply to small or two-story buildings. The information was compiled to assess conflicts which potentially exist between UFAS and State codes.
- ANSI A117.1 Committee: As a member of the ANSI Committee, the Board participated in task forces that developed recommended revisions to the Standard and commented on proposed changes for the 1985 edition of the American National Standards Institute (ANSI) A117.1 accessibility standard.

(3) Research:
- Completion of the project on "Signage."
- Completion of the project on "Detectable Tactile Surface Treatments."
- An Interagency agreement with the Department of Transportation to demonstrate Telecommunication Devices for the Deaf (TDDs) in airports.

(4) Completion of reserved and special sections of the Board's Minimum Guidelines and Requirements for Accessible Design (MGRAD):

The principal accomplishments in FY 1985 toward the completion of the Minimum Guidelines and Requirements for Accessible Design (MGRAD) came in the area of directing our research priorities to that goal.

In FY 1985, Alarms and Information Systems were established as priorities for research, and projects were completed on Signage and Detectable Tactile Surface Treatments (DTST). We are now in the position of using findings from those research projects to begin development of reserved sections on signage and detectable tactile warning surfaces.

TRANSPORTATION ACTIVITIES

Mr. SABO. Please summarize the activities the Board is involved with in the area of transportation in the current fiscal year and the transportation-related activities you are planning to pursue in fiscal year 1987.

[The information follows:]

In the area of urban mass transit, the Office of Technical Services continues to provide technical assistance to state and local governments, consumers, and others. The Board's technical services library now has available bibliographies on mass transit and other transportation issues. Product files have also been developed.

In addition, Board staff have participated in a number of regional and local workshops to provide information on transportation for handicapped persons. Board staff serve on the Committee on Transportation Disadvantaged of the Transportation Research Board (TRB). Board staff developed and chaired a panel for a conference session on transportation accessibility and safety at the 1986 annual TRB conference.

The Board will continue to utilize the National Transportation Facilitation Committee (NTFC), which was described earlier in relation to the Board's activities on air travel barriers, as a channel to and from the private sector.

The Board awarded a contract to the American Institutes for Research (AIR) in September 1985 to develop advisory standards and a technical manual on the use of aircraft boarding chairs. At the March 1986 meeting, the Board authorized publication in the *Federal Register* of a proposed advisory standard, with a 60-day public comment period. The contract calls for a final advisory standard and manual to be delivered by September 1986.

Also underway (although funded in FY 1985) is an interagency agreement with the Department of Transportation for the "Airport Telecommunication Devices for Deaf Persons Pilot Program," under which Miami and Baltimore-Washington Airports will demonstrate TDD use. In addition, a contract to produce a "Mobility Aid Stowage Technical Paper" is scheduled to go out to bid this fiscal year.

The Board also has signed an interagency agreement with the Urban Mass Transportation Administration (UMTA) whereby UMTA will prepare a technical paper on wheelchair lifts and securement systems for buses and paratransit vehicles for use by the Board to provide technical assistance. The paper is being produced in conjunction with an UMTA-sponsored conference in May. Board staff has been asked to help plan the conference and chair a session on developing safety guidelines for lifts and securement.

COMPLETED RESEARCH PROJECTS

Mr. SABO. What research projects were completed in fiscal year 1985? For the record, please summarize the major findings.

[The information follows:]

The Signage project produced fourteen (14) recommendations for additions to or changes in the Minimum Guidelines and Requirements for Accessible Design (MGRAD). The findings included the importance of raised, rather than incised, letters for tactile signs as well as considerations of brightness, glare and surface finish.

The Detectable Tactile Surface Treatment (DTST) project produced nine recommendations for additions to or changes in the MGRAD. The principal finding of this study was the importance of sound and resilience as cues, as opposed to the current ANSI A117.1 requirements which rely solely on texture.

Both projects also provided recommendations on location and other implementation aspects of signage.

CURRENT AND PROJECTED RESEARCH PROJECTS

Mr. SABO. What major research projects are you working on this fiscal year and what do you have planned for fiscal year 1987?

[The information follows:]

In addition to projects funded in earlier years which are still continuing, the Board is funding these projects with FY 1986 funds:

TDD Relay Project (an interagency agreement with the Department of Treasury)
Visual Signals (fire and other emergency signals)

Doors (opening forces that allow doors to be usable by handicapped people)
Technical papers on mobility aid stowage for air travel and on wheelchair lifts and wheelchair securement for buses and paratransit vehicles
Slip-resistant surfaces (potential first phase of a longer project)
Research priorities for FY 1987 will be considered at the May 1986 meeting of the Board. Tentative priorities are: *slip-resistant surfaces* (if not funded in FY 1986), *roll resistance, walking resistance, visual signals* (second of two years), and possibly a project on cost-effective accessibility options for use in *leased facilities*, pending completion of legal activity in this area (Rose v. USPS).

RESEARCH OBLIGATIONS

Mr. SABO. How much do you intend to obligate in fiscal years 1986 and 1987 for this research?

[The information follows:]

In Fiscal Year 1986, we intend to obligate $347,000 for this research.
In Fiscal Year 1987, we plan to obligate $388,000.

RESEARCH AND ADMINISTRATION CONTRACTS

Mr. SABO. On page 366 of last year's hearing record is a list of the major outside contracts the Board had let for research and administrative purposes during fiscal years 1984 and 1985.

Please provide an update of that information for fiscal years 1985 and 1986.

[The information follows:]

For Fiscal Year 1985, the Board let the following major contracts:
Research: Information Systems, Boarding Chairs, and Alarms Documentation.
In addition, the ATBCB entered into an interagency agreement with the Department of Transportation to set up a pilot project for providing TDD accessibility for deaf and hearing impaired persons in airports.
Administrative: Courier service; court reporters; drayage for carrying exhibit material into convention areas; D.C. Association for Retarded Citizens mailing service; interpreters for the deaf; maintenance for Cranmer Modified Brailler; Westlaw legal research; computer support for technical assistance; cassettes of the Uniform Federal Accessibility Standards (UFAS); maintenance for IBM copier; and reader services for blind persons.
The Board has "Requests for Proposals" in process to permit awarding contracts in the following major research areas for Fiscal Year 1986: Mobility Aids Stowage; Visual Signals; Doors; and potentially, Slip-resistant Surfaces.
The ATBCB also entered into an interagency agreement with the Department of Treasury to establish a telecommunications devices for the deaf (TDD) relay system. In addition, the ATBCB proposes to enter into an interagency agreement with the Department of Transportation to develop technical papers on the subjects of wheelchair lifts and wheelchair securement on public transit vehicles.
Administrative contracts underway for FY 1986 include courier service, court reporters; D.C. Association for Retarded Citizens mailing service; Cranmer Modified Brailler maintenance; Westlaw legal research; reader services for blind persons; maintenance for IBM copier; and cassettes on Detectable Tactile Surface Treatment.

FISCAL YEAR 1987 FUNDING REQUEST

Mr. SABO. Your budget request for fiscal year 1987 is $1.975 million, the same as your fiscal year 1986 appropriation before the Gramm-Rudman-Hollings sequestration.

If the $85,000 Gramm-Rudman-Hollings cut for fiscal year 1986 is not restored for fiscal year 1987, how would the Board's activities be affected?

[The information follows:]

Board programs would not be interrupted if the $85,000 Gramm-Rudman-Hollings cut for Fiscal Year 1986 were not restored for FY 1987. However, compared to operating at the 1987 request level, various administrative reductions in such areas as

staff training, equipment purchases, staff travel and exhibits, would have to be taken if funding were at the 1986 post-sequester level.

TDD RELAY SYSTEM

Mr. SABO. Last year one of your Board members, Mr. Myers, indicated in his testimony that the results of your research in the area of telecommunications devices for the deaf (TDD) were enabling you to move towards solving communications access problems.

He also said you were working to facilitate the development of a government-wide TDD relay system.

Could you describe how this TDD relay system would work, and what progress you are making toward its implementation?

What other TDD-related projects and activities was the Board involved with last fiscal year?

[The information follows:]

The TDD Relay Project, which begins in April 1986, will provide a one-year pilot demonstration of TDD-to-voice and voice-to-TDD calls. Those served will be TDD-using Federal employees and members of the general public, as well as Federal agencies. The U.S. Department of the Treasury, under terms of an interagency agreement with the ATBCB, will operate the relay.

Last year, the Board entered into another TDD-related project, a one-year demonstration of TDDs in airports. The U.S. Department of Transportation is contracting with Baltimore-Washington (BWI) and Miami International airports to conduct the demonstration.

TECHNICAL ASSISTANCE ACTIVITIES

Mr. SABO. What other major technical assistance efforts was the Board involved with in fiscal year 1985, and what do you have planned for the remainder of fiscal year 1986 and fiscal year 1987?

[The information follows:].

As previously outlined, the major project for the Office of Technical Services will be to complete the reserved sections of the Minimum Guidelines and Requirements for Accessible Design (MGRAD). In 1984, the Board adopted its research priorities in an effort to complete the reserved sections of the MGRAD. In addition to funding research projects, the Board also funded the development of technical papers. Below is a summary of major projects for FY 1986 and 1987.

ALARMS

Findings from this project will be used to revise the existing sections of the MGRAD dealing with alarms to make the minimum guidelines more effective in protecting the life safety of disabled persons, including persons with hearing, vision, mobility, and strength/stamina impairments. It is anticipated that proposed rulemaking may begin in FY 1987 and continue into FY 1988.

DETECTABLE TACTILE SURFACE TREATMENTS

The Board has begun developing revisions to those sections of the Minimum Guidelines and Requirements for Accessible Design that address surface treatments at hazardous locations. It is anticipated that this effort will continue through FY 1987.

SIGNAGE AND OTHER INFORMATION SYSTEMS

During FY 1986 and 1987, the Board plans to implement the findings of its FY 1983 and 1984 signage workshop project. These findings will be used in the Board's minimum guidelines and in its technical assistance program.

CONTROLS AND OPERATING MECHANISMS

Findings from the Board's research project on hand anthropometrics is scheduled for completion in 1986. Results from this project will be applied by the Board to those sections of the minimum guidelines and requirements addressing controls and operating devices. For example, this project addresses the use of such devices as door hardware, telephones, fire alarms, and mail slots.

DOORS

Research findings from the doors project will provide sufficient information to determine what closing and opening forces for interior and exterior doors are usable by disabled persons having mobility and/or strength limitations. The proposed rulemaking in this area will take place in FY 1988 or 1989.

RECREATIONAL FACILITIES

The technical paper on recreation will be completed in FY 1986. Based on the findings of this paper, it is anticipated that the recommendations will be incorporated in either the special use provisions for the minimum guidelines and requirements, handbooks, and/or advisory standards.

TRANSPORTATION

During FY 1985, the Board joined the Department of Transportation in forming a subgroup of the National Transportation Facilitation Committee to find solutions to problems experienced by persons with disabilities traveling by air. A contract was awarded to develop advisory standards for boarding chairs and a manual that can be used by the public and private sectors in implementing these specifications. Work was also initiated with the private sector to find ways of improving telephone access for communication impaired persons at airports and other transportation facilities.

Other efforts undertaken by the Board in cooperation with the Department of Transportation in FY 1986, and which will carry through in technical assistance efforts in FY 1987, include:

- Development of a technical paper on Mobility Aid Stowage to be used in providing technical assistance.
- An interagency agreement between the Board and the Department of Transportation, UMTA to develop technical papers on Wheelchair Lifts and Securement to be used in providing technical assistance.

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Mr. SABO. Will your ability to respond to requests for technical assistance be affected by the $85,000 decrease in funding for fiscal year 1986? If the $85,000 is not restored in fiscal year 1987, how will your technical assistance activities and priorities be affected?

[The information follows:]

The level of funding devoted to technical services has not changed significantly from the prior two years except in the area of funding for publications and staff travel. An extensive review of the Board's publications enabled us to focus our printing budget on those publications that were most effective and that directly addressed our primary technical assistance efforts. With reductions in travel, the Board has concentrated on contact with national headquarters of private sector organizations rather than attending workshops and seminars in other parts of the country.

In addition, the Board is making more use of standardized information packages which can be assembled with less staff time than preparing individualized responses. The Board's codes and standards file has been computerized for easy retrieval and update, as has the technical library file and abstracts. The Board has also prepared several bibliographies on subjects ranging from recreation housing, children's standards, and mass transit accessibility. All of these advances permit us to provide quality technical assistance at minimal cost.

COMPLAINTS

Mr. SABO. How many complaints did the Board receive in fiscal year 1985 and have they all been resolved? Last year Mrs. Will indicated that only a small number of complaints you receive are transportation-related, about fifteen out of 233 in 1984.

Was this the case during 1985?

Does the small number of complaints reflect greater satisfaction with the access being provided to transportation systems?

[The information follows:]

The Board received 249 complaints in FY 1985, of which 69 have been closed. During FY 1985 the Board also closed 126 complaints from FY 1980–1984, totaling 195 closures during FY 1985.

In FY 1985, the board received four complaints that involved fixed transportation facilities. However, it should be noted that the Board does not enforce accessibility standards for rolling stock such as trains, buses and airplanes. For this reason, we do not open complaints that deal with these issues, but simply refer the complainant to the Department of Transportation for investigation of the case under section 504 of the Rehabilitation Act of 1973.

It has been our experience that the fixed facilities now being constructed are being equipped with accessibility features not provided in transit facilities constructed prior to enactment of the Architectural Barriers Act.

However, the small number of transportation-related complaints does not necessarily reflect greater satisfaction with the access being provided to transportation systems. Many consumers are aware there is an unresolved issue over the Board's authority regarding transportation systems. They may not be aware that the question concerns enforcement of regulations for rolling stock only, and that fixed transit facilities are not part of this controversy. (This issue is now being reviewed by the Office of Legal Counsel in the Department of Justice.) In addition, we cannot estimate how many section 504 complaints regarding transportation facilities are submitted to the Department of Transportation.

PROPOSED REDUCTION IN FY 1987

Mr. SABO. What effect would a decrease of $85,000 from your fiscal year 1987 request have on your ability to conduct the research necessary to complete the reserved or special sections of the Board's minimum guidelines?

[The information follows:]

No effect is anticipated, as the Board would expect to be able to make the necessary cuts in other object classes.

JUSTIFICATIONS—LAPSED FUNDS

Mr. SABO. On page 2 of your budget justification, why did you lapse $4,355?

[The information follows:]

The Board lapsed $4,355 in FY 1985 due to changes in staff travel plans and an overestimate for the payment of attorney fees in a resolved EEO action.

PERSONNEL COSTS

Mr. SABO. On page 5 of your budget justification it appears that you intend to achieve much of the $85,000 required reduction for fiscal year 1986 through adjustments to personnel compensation.

You show a decrease of $74,000 in compensation for permanent positions and an increase of $25,000 in compensation for positions other than permanent. However, the total number of permanent positions and full-time equivalent of all other positions does not change.

Can you explain the adjustments in personal compensation for fiscal year 1986 to achieve the required cut under Gramm-Rudman-Hollings? Also, how will you decrease personnel benefits by $6,000 this fiscal year?

[The information follows:]

This year the Board has experienced delays in filling several fulltime permanent position vacancies, thereby decreasing this category by $74,000. To assist with the increased workload created by these vacancies, the Board hired staff on a temporary basis, thereby increasing the other-than-permanent category by $25,000. However, the Board has currently filled several of the vacancies and expects to have the remaining vacancies filled shortly. The projected on-board end of year total active number of permanent positions will be restored to 23 and projected end of year FTE for all other will be 4.

As personnel benefits correspond to personnel costs, a decrease in benefits is commensurate with a decrease in compensation for fulltime positions.

Mr. SABO. For fiscal year 1987, you show a decrease of 1 permanent position, but an increase of $47,000 in compensation over fiscal year 1986 after sequestration.

Can you explain why you have a personnel decrease but an increase in associated compensation?

[The information follows:]

The increase is due to the annualization of salaries for those positions filled during FY 1986 ($29,000), in addition to within-grade increases for employees covered under the General Schedule and merit increases for employees covered under the Performance Management and Recognition System.

STANDARD LEVEL USER CHARGES INCREASE

Mr. SABO. On page 5, why do your fiscal year 1987 standard level user charges increase by $25,000 from the fiscal year 1986 level, a 38 percent increase?

[The information follows:]

Beginning in FY 1987, the General Services Administration will implement a new system under which agencies will be charged commercially equivalent rates. For the Board, this represents a 38 percent increase with no change in the space utilized.

FY 1987 RESEARCH PROJECTS

Mr. SABO. You show an increase of $41,000 for research for fiscal year 1987. What specific, additional research activities will you conduct with this increase for research contracts?

[The information follows:]

The Board would use these funds to complete research on visual signals (first phase to begin in FY 1986) and to initiate or complete slip-resistant surfaces (the first phase of which may begin in FY 1986); begin projects on roll resistance and walking resistance; and, potentially (depending on resolution of current litigation), study issues related to alterations to leased buildings.

CONSULTING SERVICES

Mr. SABO. On page 12 of your justification, please explain what "consulting services" are for.

Where is the 1986 funding estimate on page 12 reflected in the table on page 5? Why are you not proposing this activity for fiscal year 1987?

[The information follows:]

The consulting services were used primarily to develop background materials and other information for the Board's working group on recreation. This included directing and coordinating the working group and developing a technical assistance paper with advice and assistance from the working group. This paper, now under development, will summarize the findings of the working group, provide a literature review, examine model recreational facilities and make recommendations for action to improve access.

The FY 1986 funding estimate is reflected in the "other-than-permanent" category on page 5. With the completion of the technical paper scheduled for later in FY 1986, consultant services will not be necessary in FY 1987.

QUESTIONS SUBMITTED BY THE HONORABLE SILVIO O. CONTE

Mr. SABO. Mr. Conte could not be here this morning, but he has some questions for the record, which I will place in the record now.

EFFECT OF GRAMM-RUDMAN REDUCTION

Mr. CONTE. Mr. Hauser, let me begin by asking what effect the March 1st Gramm-Rudman reduction had on the Board's program?

[The information follows:]

The Gramm-Rudman reduction did not interrupt program operations. There will be, however, slight reductions in various administrative areas. These include staff training, equipment purchases, contracted computer assistance, staff travel and exhibits.

ACCESSIBLE TRANSPORTATION

Mr. CONTE. There has been quite a bit of publicity in the last several months about cases involving the seating of visually impaired persons on aircraft, as well as the ability of people in wheelchairs to use subway cars without an attendant.

Are these areas that the Board has considered and could you comment on these particular situations?

[The information follows:]

The Board has not dealt with the issue of seating of blind air travellers but the subject has been discussed somewhat by the National Transportation Facilitation Committee (NTFC) subgroup on Air Travel Accessibility and at Access to the Skies conferences. Access to the Skies is a private sector program in which the Board has been active. Jurisdiction over seating of blind passengers rests with the Department

of Transportation which will consult with the Board if it decides to pursue rulemaking in this area.

With regard to wheelchair access to subway cars without an attendant, this is generally the result of a discrepancy between vehicle and platform heights. This issue was the subject of staff and Board Transportation Committee discussions and comments to the Department of Transportation (DOT) on its regulation implementing section 317 of the Surface Transportation Assistance Act of 1982.

CASES CLOSED FOR LACK OF JURISDICTION

Mr. CONTE. In your opening statement, you indicated that the Board closed 129 cases for lack of jurisdiction in 1985.

What sorts of cases were those, and does any other body or organization have jurisdiction over such cases?

Would you define exactly what is the jurisdiction of the Board?

[The information follows:]

The cases over which the Board lacked jurisdiction primarily involved buildings or facilities which either were 1) designed, constructed or altered by the Federal Government prior to the effective date of any standards issued under the Architectural Barriers Act (ABA) (September 2, 1969); 2) designed, constructed or altered after September 2, 1969, without Federal funds; or 3) designed, constructed or altered with Federal funds which are not covered under the Architectural Barriers Act, such as revenue sharing funds. (The Board also lacks jurisdiction over buildings that are privately owned residential facilities not leased by the government for subsidized housing; and buildings that are not intended for use by the public and will not result in the employment or residence of physically handicapped persons.)

Handicapped accessibility problems which are outside the scope of the Board's jurisdiction may be subject to section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of handicap in programs receiving Federal funds. Each Federal agency which conducts a Federal program or provides Federal financial assistance to recipients is responsible for ensuring compliance with its own section 504 requirements.

Pursuant to § 502(b)(1) of the Rehabilitation Act of 1973, the Board has jurisdiction to enforce standards which are issued under the ABA by four standard-setting agencies (GSA, USPS, DOD, and HUD). Those standards only cover buildings as defined in the ABA.

Therefore, the Board's jurisdiction over a particular building is dependent on whether that building meets the definition set forth in the ABA. The ABA defines a building as any building (other than privately owned residential structures, and buildings or military installations constructed primarily for able bodied military personnel) which is:

(1) constructed or altered by or on behalf of the United States;

(2) leased in whole or in part by the United States after January 1, 1977, or leased after construction in accordance with United States plans and specifications from 1968 to 1977;

(3) financed in whole or in part by a grant or a loan made by the United States after August 12, 1968, if such building or facility is subject to standards for design, construction, or alteration issued under authority of the law authorizing such grant or loan; or

(4) constructed under authority of the National Capital Transportation Act of 1960, the National Capital Transportation Act of 1965, or title III of the Washington Metropolitan Area Transit Regulation Compact (The Washington DC, Area Metro System).

REAUTHORIZING LEGISLATION

Mr. CONTE. Your justification indicates that legislation will be proposed to extend the Board's authorization. When will that be submitted?

[The information follows:]

The ATBCB is requesting a simple extension of its authorization, at $1.975 million in 1987.

The ATBCB will continue to comment on legislative changes introduced in the House and the Senate.

INCREASE IN STANDARD LEVEL USER CHARGES

Mr. CONTE. Could you explain why there is such a large increase proposed in your Standard Level User Charge (rent) account?

[The information follows:]

Beginning in FY 1987, the General Services Administration will implement a new system under which agencies will be charged commercially equivalent rates. For the Board, this represents a 38 percent increase with no change in the space utilized.

RECREATION ACCESSIBILITY PROJECT

Mr. CONTE. Would you tell me more about your recreation accessibility project and give me some examples of where your activities in this area might be applied?

[The information follows:]

The Board's recreation accessibility project has two aspects: first, a technical paper on making recreation facilities and programs more accessible is being prepared, and second, an interagency working group is meeting regularly to guide and review the technical paper writing effort. The technical paper will identify the key accessibility issues in recreation projects and programs, suggest answers to commonly encountered problems, and offer resources for further assistance. In addition, the technical paper will include recommendations to the Board for possible Minimum Guidelines and Requirements for Accessible Design (MGRAD) specifications which could be considered for the reserved Subpart E, Special Building or Facility Types Section, of the MGRAD. Finally, the technical paper will include recommendations for the U.S. Department of the Interior (which chairs the interagency working group) to consider in its own rulemaking on access to recreation facilities and programs.

Some examples of applications of the project outcomes include:

Guidance to U.S. Parks Service staff on making park areas more accessible;

Suggestions for designing and/or renovating trails and other paths in Federal parks and parklands; and

Suggestions for signage in parks and parklands.

The Board expects to complete the recreation project by the end of this fiscal year. At that time, the Board will consider appropriate implementation steps.

COMPLIANCE EFFORTS OF FEDERAL AGENCIES

Mr. CONTE. What is your view of the general receptivity of Federal agencies to compliance with accessibility requirements?

Are there any examples of agencies that have been particularly cooperative or any "problem" agencies or departments?

[The information follows:]

Federal agencies continue to be receptive to compliance with accessibility standards, demonstrated by the fact that in every case where the Board had jurisdiction and a violation was found, the agencies provided voluntary correction action. Also, it is important to note that in many cases, when the agencies are notified of a complaint, they take corrective action before the Board is able to determine whether it has jurisdiction and whether there is a violation. All of the Federal agencies that have had complaints filed against them have cooperated with the Board in insuring compliance with the appropriate accessibility standard.

In the last four or five years, we have seen a number of exciting results from Federal agency cooperation. First, the four standard-setting agencies for the first time issued a single standard for all facilities subject to the Architectural Barriers Act—the Uniform Federal Accessibility Standards (UFAS). Then the four agencies cooperated in funding a reprint edition of the UFAS in an easily usable format that is being distributed by the Board. Agencies have also been joining with the Board in interagency agreements that are producing concrete achievements in the field of accessibility. The TDD Relay Project with the Department of Treasury is one; another is the project with the Department of Transportation for model TDD installations at Baltimore-Washington and Miami International Airports. Also underway with the Department of Transportation is a project to develop technical papers on wheelchair

lifts and securement devices for buses and paratransit vehicles, as part of an Urban Mass Transportation Administration conference.

It was at the invitation of the Department of Transportation that the Board joined the National Transportation Facilitation Committee. The Department of Transportation then worked with the Board to establish a subgroup on Air Travel Accessibility.

BOARD ACCOMPLISHMENTS

Mr. CONTE. What were the Board's three most significant accomplishments during the past year?

[The information follows:]

Since we testified before your committee last year, the Board has had a number of significant accomplishments. The three most important accomplishments were:

Standards for Aircraft Boarding Chairs.—The ATBCB developed proposed advisory standards and approved their publication in the *Federal Register* for public comment.

Implementation of Recommendations from the Telecommunication Devices for Deaf Persons (TDD) Research Project.—The Board entered into an interagency agreement with the U.S. Department of Transportation to develop a TDD pilot project to make a major metropolitan area airport accessible to deaf and hearing impaired persons; entered into an agreement with the U.S. Department of Treasury to develop a Federal TDD relay system; and published an information brochure on TDDs developed jointly by GSA and the Board.

Action on Accessible Transportation.—The Board joined the National Transportation Facilitiation Committee and, with DOT, organized the subgroup on Air Travel Accessibility which the Board co-chairs with DOT. The Board also entered into an interagency agreement with DOT and the Urban Mass Transportation Administration (UMTA) to develop technical papers on bus lift and wheelchair securement.

Mr. SABO. Thank you all very much. The subcommittee is adjourned.

QUESTIONS SUBMITTED FOR THE RECORD BY MR. SABO

Question. For the record, please provide some examples of the assistance you have provided agencies this past year.

Answer. Examples of technical assistance provided by the Board to Federal agencies during the past year include:

Coordinating production of the Uniform Federal Accessibility Standards (UFAS) reprint which includes a more readable type face and format and a Board-developed index.

Developing a brochure on usage of Telecommunication Devices for Deaf Persons (TDD) written in easily understood language for wide distribution.

Through an interagency agreement with the Department of the Treasury, began establishing a government-wide TDD relay service, located at Treasury, to help TDD users communicate, by phone, with persons not having a TDD.

Developing, at the request of the Department of Education, draft recommendations for achieving accessibility for physically handicapped children in elementary schools.

In conjunction with the National Park Service, began developing a technical paper on accessibility for physically handicapped persons to recreation facilities/areas.

Provided training on UFAS to the Recreation Working Group, which includes representatives from the National Park Service; the Departments of Agriculture, Defense, Education, Health and Human Services, Justice, and Transportation; and the Smithsonian Institution.

Providing technical assistance to the Urban Mass Transportation Administration to help it plan a conference on bus lifts and securement devices. As a result, the Board has entered into an interagency agreement with DOT/UMTA to develop a technical paper on bus lifts and wheelchair securement devices.

At the request of the Department of Defense, conducting a review of and preparing a report on DOD policies, procedures and practices for insuring that its buildings and facilities are accessible to handicapped persons.

Continuing a comprehensive technical assistance effort to contact and offer the Board's technical expertise on questions about accessibility to the more than 90 Fed-

eral agencies and organizations required to issue Section 504 regulations; a total of 18 agencies have been contacted so far.

Question. How many Federal agencies have implemented internal compliance systems to ensure accessibility in their facilities? Are you satisfied that the internal regulations being developed are adequate?

Answer. Federal agencies have established a variety of internal compliance systems to ensure accessibility to their facilities. An estimate of the number of such systems is not possible, since the Board usually does not become involved in those systems unless a complaint is received. Of course, the four standard-setting agencies have systems for ensuring compliance with the Architectural Barriers Act.

During the past year, the Board has been involved with assisting two Federal agencies in developing comprehensive, internal mechanisms to ensure accessibility in their facilities. In addition, we have responded to requests from other agencies seeking various types of technical assistance to make their buildings more accessible. These included requests for the Board's architect to participate in on-site evaluations of their buildings to improve accessibility as well as requests for the Board's assistance in providing training to their staff on the Uniform Federal Accessibility Standards (UFAS).

It is important to note that the Board's role is that of providing technical expertise, at the request of individual Federal agencies. Thus, the ongoing developmental and implementation efforts will be the responsibility of the agencies, with Board staff providing technical advice and assistance, upon request. We believe that this is an appropriate role for the Board, reflecting on the one hand the need for each agency to establish its own system based on the unique needs of its programs and on the other, the Board's particular expertise and collection of resources on accessibility.

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